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ABSTRACT

The settlement between the states and the tobacco manufacturers reached in November 1998 is expected to infuse $206 billion in new revenues into state treasuries over the next 25 years. This study examined state decisions concerning the tobacco settlement revenues in order to highlight opportunities for using the funds to support children's services. The report reviews the basic fiscal terms of the Master Settlement Agreement and the magnitude of the expected revenues, as well as the actions states must take to ensure receipt of their allotment. The report discusses the several types of decisions states face concerning the disposition of the funds: (1) decisions on financial and governance structures for managing the funds (trust funds, endowments, foundations, existing funds); (2) decisions affecting the amount and timing of revenue a state will receive (spending versus saving the payments, and issuing bonds); and (3) decisions on the substantive allocation of the funds (health programs, smoking cessation, or children's services). The report focuses primarily on state legislative action to allocate funds to children's services. Examples are provided of the multiple approaches that have been taken, and prominent child-focused legislation is described in more detail. The report concludes by noting that because many decisions have yet to be made, policymakers, advocates, and others still have an opportunity to influence the allocation of the tobacco settlement funds. The report's two attachments list tobacco settlement bills that include a provision relating to services to children and describe legislative actions in each state. (KB)

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USING TOBACCO SETTLEMENT REVENUES FOR CHILDREN'S SERVICES

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State Opportunities and Actions

October 1999

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PREFACE

Across the country, there is mounting evidence of efforts to reform and restructure education and other community supports and services in order to improve the lives and future prospects of children and their families. Critical to the success of these initiatives is the way in which they are financed. How revenues are generated and how funds are channeled to schools, human service agencies, and community development initiatives influence what programs and services are available. It determines how they are provided and who benefits from them. Financing also affects how state and local officials define investment and program priorities, and it creates incentives that guide how educators, other service providers, and community volunteers do their jobs. For these reasons, financing fundamentally affects how responsive programs and institutions are to the needs of the people and communities they are in business to serve.

Over the past decade, several blue ribbon commissions and national task forces have presented ambitious prescriptions for reforming and restructuring the nation's education, health, and human service systems in order to improve outcomes for children and their families. While some have argued that public financing and related structural and administrative issues are critical to achieving better results, none has been framed for the specific purpose of inventively reconceptualizing public financing. Indeed, many of the most thorough and thoughtful reports have called for an overlay of new funds, but have neglected to provide cogent analyses of effective financing strategies, the costs of converting to these approaches, and the potential beneficial outcomes that might accrue from addressing financing reform as an integral aspect of program reform. Meanwhile, reforms large and small have proceeded at the national, state, and local levels.

In 1994, a consortium of national foundations established The Finance Project to improve the effectiveness, efficiency, and equity of public and private sector financing for education and an array of other community supports and services for children and their families. The Welfare Information Network, a special activity of The Finance Project, was formed two years later to serve as a clearinghouse of information on welfare reform policies and practices. Currently, The Finance Project is conducting an ambitious agenda of policy research, development of tools and materials, information dissemination, direct technical assistance, and program management. The aim is to increase knowledge and strengthen the capability of government and private decision makers at all levels to design policies and programs and to develop and implement strategies for generating and investing resources that more closely match public priorities and more effectively support improved education and community systems.

The fiscal environment in which states and localities operate is a critical factor in the financing of children's services. These governments have major responsibility for providing public education, health, and welfare programs, as well as a wide array of social services, which address the needs of children, families, and communities. Although many states and communities are in the best financial shape they have been in for years, the challenges of managing their finances to meet continuing and new demands over the near-term and into the future remain. Among recent new demands for child and family supports and services, for example, are supportive services to those transitioning from welfare to work; increased child care capacity, quality, and access; and comprehensive programs that foster healthy development and achievement in early childhood and among school-age children and youth.

A major development affecting states' fiscal environment is the settlement between the states and tobacco manufacturers reached in November 1998. This agreement is expected to infuse $206 billion in new revenues into state treasuries over the next 25 years. How states

govern, manage, and allocate these funds, along with what other fiscal actions they take and how external conditions change, can have significant implications for the financing of children's services. As a result, The Finance Project undertook this study to examine state decisions concerning the tobacco settlement revenues and, through this analysis, to highlight opportunities for using the funds to support children's services.

This report is the result of a joint effort between The Finance Project and the National Conference of State Legislatures (NCSL). In the Spring of 1999, The Finance Project commissioned NCSL's Health Policy Tracking Service (HPTS) to prepare bi-weekly updates tracking and summarizing state legislative activity concerning the tobacco settlement funds and, once most legislative sessions ended, a summary analysis of state actions. Based on this and other information, HPTS and The Finance Project staff collaborated on writing this report. It is our hope that this report provides useful information to state policy makers and others interested in finding improved ways of financing child and family services and in using the tobacco settlement funds for this purpose.

Cheryl D. Hayes
Executive Director

EXECUTIVE SUMMARY

Over the next 25 years, states will receive nearly $250 billion in new revenues from their recent settlements with the tobacco industry, with no restrictions on the use of this money. This creates a new and unprecedented opportunity for funding supports and services for children and families. State legislative activity in 1999 indicates that states are considering or using a variety of approaches to direct these revenues to programs affecting children. Nevertheless, to date little has actually been decided about the ultimate use of the tobacco settlement funds.

Required State Actions

States need to act to ensure their receipt of the tobacco settlement funds as well as to decide on the management and allocation of the funds. To ensure they receive their full allotments, each of the 46 states involved in the Master Settlement Agreement needs to:

- Enact a model statute as set out in the Master Settlement Agreement that eliminates any competitive advantage for tobacco companies not participating in the Settlement; and
- Achieve State Specific Finality by approving the agreement and removing other legal claims. States will begin receiving their payments when 80 percent of the participating states and those representing 80 percent of the total allocation achieve State Specific Finality.

Decisions on Managing the Tobacco Settlement Funds

States also need to consider how they will manage their tobacco settlement funds. This involves establishing a structure and governing mechanism for receiving and disbursing the funds. Such decisions determine where the money will reside and who will have control over it. State approaches include:

- Establishing trust funds. The creation of trust funds was the most frequent action taken concerning the tobacco settlement funds in states' 1999 legislative sessions. Trust funds usually have broadly defined purposes. Some or all of the principal of a trust fund may be available for expenditure. Trust fund receipts and expenditures are typically determined through the normal appropriations process.
- Creating endowments. An endowment is similar to a trust fund in many ways. However, creation of an endowment usually implies the intention to preserve a base amount of principal for a long time or in perpetuity – the principal is invested and only the interest income is expended. Boards are often chosen to set priorities for and manage the expenditure of funds from an endowment.
- Chartering foundations. Foundations are non-profit, philanthropic organizations that operate outside the legislative process. They are governed by the entity outlined in their charter, and they receive and disburse funds according to their charter. Foundations are often considered to be permanent.
- Placing the monies in existing funds. Several states have chosen to deposit their tobacco settlement funds into the General Fund or other existing funds. In general, expenditures of the tobacco settlement monies from these funds will be determined through the regular appropriations process; however, some states have put special restrictions on the use of these monies.

Decisions Affecting the Amount and Timing of Revenues

Another critical decision for states is how to balance current demands for spending the tobacco settlement revenues against saving the funds for the future. How a state chooses to spend, save, and invest the annual payments directly affects the amount of revenues it will have at its disposal over time.

Two issues states are considering that affect the amount and timing of revenues are:

- Spending vs. Saving the Payments. While spending all of the annual payments allows states to meet current needs, saving some or all of the payments - while still spending the interest accrued - allows the body of the funds to accumulate and compounds the amount of interest that can be earned.
- Issuing Bonds. States could also get the lion's share of the settlement funds at once by issuing bonds that would be repaid out of future payments. The state could take a lump sum up front in exchange for a guaranteed reduced payment, thus mitigating the risks associated with future settlement payments.

Decisions on the Substantive Allocation of the Revenue

The bottom-line question for many is how the tobacco settlement dollars will be spent—what purposes, programs, services, or projects will be funded with the money. In their 1999 legislative sessions, 23 states enacted legislation making substantive allocations of the tobacco settlement funds. However, those statutes tend to prescribe only the broad purposes towards which the money should be put. Many further decisions remain in those states and in the others about the ultimate use of the funds.

The greatest number of introduced and enacted bills were in the areas of health and smoking cessation. Some of this legislation directly targets children or can be expected to result in spending on children. A significant number of bills also focused directly on education and a range of other services for children.

- Health. Most of these bills allocate funds for a range of health purposes, such as indigent care programs, prevention and wellness programs, and expanding insurance coverage. Five states appropriated funds to expand or offer additional health services through CHIP. Other states focused on specific services or populations, such as prenatal care for high-risk pregnant women.
- Smoking Cessation. These bills often mention the goal of reducing or preventing smoking by minors and direct a portion of the tobacco settlement funds for these purposes. Legislation in at least two states mentions school-based, community-based, or after-school programs as the setting in which these services should be delivered.
- Children's Services. Kansas and Florida provide examples of states that have made children's services a priority for the use of their tobacco settlement funds. Both states will set up special funds and systems to administer the monies. Kansas' legislation, in particular, focuses on spending the funds on results-based programs for children and youth. Other states have focused on more specific children's populations or services. Legislation in New Mexico targets school-age children and youth development, while Minnesota provides an example of legislation directing funds to early childhood development. Proposals in the education arena would direct funds to K-12 services as well as capital expenditures.

State legislative action to date gives an indication of the current parameters of the decision making process and debate, and provides models that other states may wish to consider or adapt. Because many decisions have yet to be made, policy makers, advocates, and others still have a great deal of opportunity to influence the allocation of the tobacco settlement funds.

INTRODUCTION

Tobacco revenues have long been an important source of state funding for education and an array of other services for children and families. Taxes on sales of cigarettes and other tobacco products have been a part of state excise tax revenues since the early part of this century. All or a portion of these taxes have often been earmarked to fund special purposes. Human services, including health care, elementary and secondary education, higher education, smoking cessation and prevention programs, and treatment for drug addiction and alcoholism have been among the most common purposes for which tobacco taxes have been earmarked.

The recent settlements between the states and the tobacco industry create a new and unprecedented opportunity for using tobacco revenues to fund supports and services for children and families. The November 1998 settlement with 46 states, estimated to total $206 billion over the next 25 years, is the largest windfall of its kind to states. Four states had previously reached separate settlements with the tobacco industry amounting to $40 billion. These agreements place no restrictions on how states spend the funds. And this new revenue source is coming about during some of the best fiscal times states have seen in recent history. Consequently, opportunities exist for creating new programs, increasing funding for existing programs, and experimenting with bold new financing strategies. Because of the historic nature and size of the tobacco settlement payments to the states, the opportunities, possibilities, and potential controversies for using these funds are staggering.

This report discusses the use of the tobacco settlement revenues to support services for children and their families—both in terms of state legislative action and opportunities for future decision making. It primarily focuses on the implications of the November 1998 agreement for the 46 participating states, but it also includes examples of state decision making in the four states with separate agreements. It first reviews the basic fiscal terms of the Master Settlement Agreement and the magnitude of the expected revenues, as well as the actions states must take to ensure receipt of their allotment. Through an examination of the actions taken by states in their 1999 legislative sessions, the report then discusses the several types of decisions states face concerning the disposition of the funds:

- decisions on financial and governance structures for managing the funds;
- decisions affecting the amount and timing of revenue a state will receive; and
- decisions on the substantive allocation of the funds.

The report focuses particularly on state legislative action to allocate funds to children's services. It provides examples of the multiple approaches that have been taken and describes prominent child-focused legislation in more detail. Several tables and attachments further document state legislative activity concerning the tobacco settlement funds.

BACKGROUND

In 1994, a number of states filed lawsuits against tobacco manufacturers seeking reimbursement for the states' Medicaid and other smoking-related health costs. The tobacco industry decided to settle cases with four states (Florida, Minnesota, Mississippi, and Texas) in large cash payments totaling $40 billion over time in exchange for these states relinquishing any and all future claims seeking damages for medical expenses.

On November 23, 1998, the Attorneys General of the remaining 46 states, Puerto Rico, the U.S. Virgin Islands, the Northern Mariana Islands, Guam, and the District of Columbia signed a similar agreement—the Master Settlement Agreement—with the five largest tobacco

manufacturers (Brown & Williamson Tobacco Corporation, Lorillard Tobacco Company, Philip Morris Incorporated, R. J. Reynolds Tobacco Company, and Ligget & Myers). The four states that had previously settled with tobacco manufacturers are not included in the Master Settlement Agreement.

Under the agreement, the 46 participating states, the District of Columbia, Puerto Rico, Virgin Islands, and the Territories will receive payments from the tobacco companies in perpetuity. They will receive a total of approximately $206 billion over the next 25 years. Starting in 1998, certain "up-front" payments were credited to an escrow account as provided by the agreement. Annual payments, to be made on April 15, 2000 and each April 15 thereafter, will total $183.2 billion through 2025.[1]

A summary of estimated annual tobacco settlement allotments by state through 2025 is shown in Table 1. State payments for FY2000 range from over $800 million in California and New York to $16 million in Wyoming. The payments reach a maximum in 2003, then rise again in three stages to reach more than $1 billion in California and New York and nearly $20 million in Wyoming for the years 1018 through 2025.[2]

Each state's annual allotment represents a fixed share of the total payments to be made by the tobacco companies in that year. The state shares (shown in Table 2) are based on a complex formula that accounts for each state's total historical health spending. Total annual payments will be determined by adjusting a base amount by a number of factors, including the consumer price index and the amount by which domestic tobacco sales decline. Thus, there is considerable uncertainty about the precise amounts states will receive in the future.

Nevertheless, the projected payments can be expected to add significantly to state resources. Table 2 compares the total amount of payments each state can be expected to receive in FY2000 (from initial and FY2000 payments) to the estimated size of state budgets for that year. In most states, the settlement dollars will account for between 1.5 and 3.5 percent of budgets, and in six states, they will represent 4 percent or more of total budgets. The settlement revenues' share of future budgets will depend on the level of total payments, state spending policies, and other factors. However, if states do not spend all of their payments annually, their accumulation of new revenues from the settlement can constitute even larger shares of annual state budgets.

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[1] In addition to the annual payments to the states beginning in 2000, the agreement requires the tobacco companies to make initial "up-front" payments totaling $12.7 billion through deposits of $2.4 billion in 1998, $2.5 billion in 2000, $2.5 billion in 2001, $2.6 billion in 2002, and $2.7 billion in 2003. Furthermore, every April 15th from the year 2008 to 2017, the tobacco companies will be required to make payments totaling $8.6 billion into a Strategic Contribution Fund, from which money will be allocated to states reflecting the contribution made by states toward the resolution of the state lawsuits against tobacco companies.

[2] These amounts are in nominal terms. With inflation, real revenues can be expected to fall in many of the years.

Table 1

Estimated Annual Tobacco Settlement Payments to Each State
(in millions)

	Years							
	1998	2000	2001	2002	2003	2004 to 2007	2008 to 2017	2018 to 2025
Alabama	$38.8	$103.6	$111.9	$134.4	$135.6	$113.2	$115.4	$129.4
Alaska	$8.2	$21.9	$23.6	$28.4	$28.7	$23.9	$24.4	$27.3
Arizona	$35.4	$94.5	$102.0	$122.5	$123.7	$103.2	$105.3	$118.0
Arkansas	$19.9	$53.1	$57.3	$68.8	$69.5	$58.0	$59.1	$66.3
California	$306.3	$818.4	$883.7	$1,061.1	$1,071.1	$894.0	$911.7	$1,021.6
Colorado	$32.9	$87.9	$94.9	$114.0	$115.0	$96.0	$97.9	$109.7
Connecticut	$44.6	$119.0	$128.5	$154.3	$155.8	$130.0	$132.6	$148.6
Delaware	$9.5	$25.4	$27.4	$32.9	$33.2	$27.7	$28.2	$31.7
District of Columbia	$14.6	$38.9	$42.0	$50.5	$50.9	$42.5	$43.4	$48.6
Georgia	$58.9	$157.4	$169.9	$204.0	$206.0	$171.9	$175.3	$196.5
Hawaii	$14.4	$38.6	$41.7	$50.0	$50.5	$42.2	$43.0	$48.2
Idaho	$8.7	$23.3	$25.2	$30.2	$30.5	$25.4	$25.9	$29.1
Illinois	$111.7	$298.4	$322.2	$386.9	$390.6	$326.0	$332.5	$372.5
Indiana	$49.0	$130.8	$141.2	$169.6	$171.2	$142.9	$145.7	$163.3
Iowa	$20.9	$55.8	$60.2	$72.3	$73.0	$60.9	$62.1	$69.6
Kansas	$20.0	$53.5	$57.7	$69.3	$70.0	$58.4	$59.5	$66.7
Kentucky	$42.3	$112.9	$121.9	$146.4	$147.8	$123.4	$125.8	$141.0
Louisiana	$54.1	$144.6	$156.2	$187.5	$189.3	$158.0	$161.1	$180.5
Maine	$18.5	$49.3	$53.3	$64.0	$64.6	$53.9	$55.0	$61.6
Maryland	$54.3	$144.9	$156.5	$187.9	$189.7	$158.3	$161.5	$180.9
Massachusetts	$96.9	$259.0	$279.6	$335.8	$338.9	$282.9	$288.5	$323.3
Michigan	$104.4	$279.0	$301.3	$361.8	$365.2	$304.8	$310.9	$348.3
Missouri	$54.6	$145.8	$157.5	$189.1	$190.9	$159.3	$162.5	$182.1
Montana	$10.2	$27.2	$29.4	$35.3	$35.6	$29.8	$30.3	$34.0
Nebraska	$14.3	$38.1	$41.2	$49.5	$49.9	$41.7	$42.5	$47.6
Nevada	$14.6	$39.1	$42.2	$50.7	$51.2	$42.7	$43.6	$48.8
New Hampshire	$16.0	$42.7	$46.1	$55.4	$55.9	$46.6	$47.6	$53.3
New Jersey	$92.8	$247.9	$267.7	$321.5	$324.5	$270.8	$276.2	$309.5
New Mexico	$14.3	$38.2	$41.3	$49.6	$50.0	$41.8	$42.6	$47.7
New York	$306.3	$818.3	$883.6	$1,060.9	$1,071.0	$893.9	$911.6	$1,021.5
North Carolina	$56.0	$149.5	$161.5	$193.9	$195.7	$163.4	$166.6	$186.7
North Dakota	$8.8	$23.5	$25.3	$30.4	$30.7	$25.6	$26.1	$29.3
Ohio	$120.9	$323.0	$348.8	$418.8	$422.7	$352.8	$359.8	$403.2
Oklahoma	$24.9	$66.4	$71.7	$86.1	$87.0	$72.6	$74.0	$82.9
Oregon	$27.5	$73.6	$79.5	$95.4	$96.3	$80.4	$82.0	$91.9
Pennsylvania	$137.9	$368.5	$397.9	$477.8	$482.3	$402.5	$410.5	$460.0
Rhode Island	$17.3	$46.1	$49.8	$59.8	$60.3	$50.4	$51.4	$57.5
South Carolina	$28.2	$75.4	$81.4	$97.8	$98.7	$82.4	$84.0	$94.2
South Dakota	$8.4	$22.4	$24.2	$29.0	$29.3	$24.4	$24.9	$27.9
Tennessee	$58.6	$156.5	$169.0	$202.9	$204.8	$171.0	$174.4	$195.4
Utah	$10.7	$28.5	$30.8	$37.0	$37.3	$31.2	$31.8	$35.6
Vermont	$9.9	$26.4	$28.5	$34.2	$34.5	$28.8	$29.4	$32.9
Virginia	$49.1	$131.1	$141.6	$170.0	$171.6	$143.2	$146.1	$163.7
Washington	$49.3	$131.6	$142.2	$170.7	$172.3	$143.8	$146.7	$164.3
West Virginia	$21.3	$56.8	$61.4	$73.7	$74.4	$62.1	$63.3	$71.0
Wisconsin	$49.7	$132.9	$143.5	$172.3	$173.9	$145.1	$148.0	$165.8
Wyoming	$6.0	$15.9	$17.2	$20.6	$20.8	$17.4	$17.7	$19.9
Total	$2,400.0	$6,411.8	$6,923.7	$8,313.3	$8,392.0	$7,004.0	$7,143.0	$8,004.0

Source: National Association of Attorneys General
Note: Figures assume no significant volume adjustments due to tobacco manufacturers' sales.

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Table 2

Total Initial and FY2000 Payments as a Share of State Budgets

States Participating in Master Settlement Agreement	State's Share of Allotments	Total Amount State will receive in Initial and FY 2000 Payments (in millions)[a]	FY 2000 State Budget (in millions)[b]	Settlement Dollars as a Share of State Budget
Alabama	1.62%	$142	$5,040	2.83%
Alaska	0.34%	$30	$2,295	1.31%
Arizona	1.47%	$130	$5,881	2.21%
Arkansas	0.83%	$73	$3,417	2.14%
California	12.76%	$1,125	$63,732	1.76%
Colorado	1.37%	$121	$5,852	2.06%
Connecticut	1.86%	$164	$10,582	1.55%
Delaware	0.40%	$35	$2,045	1.70%
Georgia	2.45%	$216	$12,599	1.72%
Hawaii	0.60%	$53	$5,812	0.91%
Idaho	0.36%	$32	$1,675	1.91%
Illinois	4.65%	$410	$20,691	1.98%
Indiana	2.04%	$180	$9,573	1.88%
Iowa	0.87%	$77	$4,776	1.60%
Kansas	0.83%	$73	$4,430	1.66%
Kentucky	1.76%	$155	$6,491	2.39%
Louisiana	2.26%	$199	$6,068	3.28%
Maine	0.77%	$68	$2,279	2.97%
Maryland	2.26%	$199	$8,940	2.23%
Massachusetts	4.04%	$356	N/A	N/A
Michigan	4.35%	$383	$9,589	4.00%
Missouri	2.27%	$200	$7,194	2.79%
Montana	0.42%	$37	$1,102	3.40%
Nebraska	0.59%	$52	$2,329	2.25%
Nevada	0.61%	$54	$1,566	3.43%
New Hampshire	0.67%	$59	$1,040	5.64%
New Jersey	3.87%	$341	$19,514	1.75%
New Mexico	0.60%	$53	$3,320	1.63%
New York	12.76%	$1,125	$73,288	1.53%
North Carolina	2.33%	$205	$13,532	1.52%
North Dakota	0.37%	$32	$781	4.13%
Ohio	5.04%	$444	$15,655	2.84%
Oklahoma	1.04%	$91	$4,941	1.85%
Oregon	1.15%	$101	$4,640	2.18%
Pennsylvania	5.75%	$506	$19,061	2.66%
Rhode Island	0.72%	$63	$2,205	2.87%
South Carolina	1.18%	$104	$5,330	1.94%
South Dakota	0.35%	$31	$753	4.08%
Tennessee	2.44%	$215	$6,649	3.23%
Utah	0.44%	$39	$3,367	1.16%
Vermont	0.41%	$36	$809	4.48%
Virginia	2.04%	$180	$11,096	1.62%
Washington	2.05%	$181	$10,159	1.78%
West Virginia	0.89%	$78	$2,662	2.93%
Wisconsin	2.07%	$183	N/A	N/A
Wyoming	0.25%	$22	$545	4.01%

[a] Initial and FY2000 payments as stated in Master Settlement Agreement. Source: National Association of Attorneys General.

[b] As estimated by the National Conference of State Legislatures, September 17, 1999.

N/A – Not available because budget bill has not been enacted yet.

Required State Actions

Under the terms of the agreement, states that are part of the Master Settlement Agreement must enact legislation and take other actions in order to finalize the agreement and receive their settlement payments in full. Each state needs to enact the Model Statute and achieve State Specific Finality, and together the states need to meet the requirements for Final Approval of the settlement. Table 3 summarizes the status of the states in taking these actions.

- Enact Model Statute. The Master Settlement Agreement includes a requirement that states enact a model statute or another "qualifying statute." Intended to create a "level playing field" between tobacco companies participating in the Master Settlement Agreement and those that are not, the Model Statute would require any new tobacco companies that were not party to the agreement to place into an escrow fund a percentage of revenue "per unit sold" of a tobacco product, or become a participating member of the settlement agreement.[3] This Model Statute must be enacted by states exactly as it is drafted in the Master Settlement Agreement or the state's payment may be reduced. If a state fails to enact the Model Statute or if a state enacts the Model Statute and a court subsequently overturns it, the agreement specifies that the state allotment will be reduced by no more than 65 percent. Thus, while enactment of the Model Statute is not required by the states in order to receive some money from the tobacco settlement, it is necessary if the state wants to receive all of its allotment. Thirty-seven states have enacted the Model Statute to date.
- Achieve State Specific Finality. To achieve State Specific Finality, a state's courts must approve the Master Settlement, all subsequent appeals must be exhausted, and all parties must be released from liability, except for criminal liability. For example, third-party lawsuits seeking to intervene in the settlement agreement must be resolved as part of this process.[4] When State Specific Finality is achieved, the state becomes vested and funds can be transferred to a special account established for that state. To date, 38 states have achieved State Specific Finality.
- Final Approval. When a state actually begins receiving payments depends not only on when it achieves State Specific Finality, but also on when other states do so. States will not receive their payments until the Final Approval Date of the agreement. This date will be the earlier of June 30, 2000, or the date when 80 percent of the participating states attain State Specific Finality and states with 80 percent of the states' total financial allocation attain State Specific Finality. As of mid-October 1999, the 38 states that have achieved State Specific Finality constituted about 83 percent of the 46 states included in the agreement, and represented just under 80 percent of the total financial allocation. It is expected that at least one additional state (Virginia) will reach State Specific Finality shortly. Thus, it is likely that states will begin receiving their payments before the end of 1999.

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[3] A "qualifying statute" is defined in the Master Settlement Agreement as a settling state's statute, regulation, law and/or rule that effectively neutralizes the cost disadvantage that the participating manufacturers experience as a result of signing onto the Master Settlement Agreement.

[4] Under the provisions of the agreement, the states had to begin implementing the settlement immediately after signing it. States that had outstanding suits against the tobacco industry had to settle them and get the consent decree implementing the settlement agreement filed by December 11, 1998. The other states had to file the necessary paperwork by December 23, 1998.

Table 3

Status of Actions Required by States to Receive Revenues
(as of September 1999)

State	Enacted Model Statute	Achieved State Specific Finality
Alabama	X	
Alaska	X	X
Arizona		
Arkansas	X	
California	X	X
Colorado	X	X
Connecticut		X
Delaware	X	X
Georgia	X	X
Hawaii	X	X
Idaho	X	X
Illinois	X	X
Indiana	X	X
Iowa	X	X
Kansas	X	X
Kentucky		X
Louisiana	X	X
Maine	X	X
Maryland	X	X
Massachusetts		X
Michigan		X
Missouri	X	
Montana	X	X
Nebraska	X	X
Nevada	X	X
New Hampshire	X	X
New Jersey	X	
New Mexico	X	X
New York	X	X
North Carolina	X	X
North Dakota	X	X
Ohio	X	X
Oklahoma	X	X
Oregon	X	X
Pennsylvania		
Rhode Island	X	X
South Carolina	X	X
South Dakota	X	X
Tennessee	X	
Utah	X	X
Vermont		X
Virginia	X	
Washington	X	X
West Virgina	X	X
Wisconsin		X
Wyoming		X
Total 46	37	38

Sources: National Conference of State Legislatures and National Association of Attorneys General

Legislative Developments

In their 1999 sessions, state legislatures devoted time not only to taking the necessary actions to ensure that their states would receive their shares of the tobacco settlement monies, but also to considering the disposition of the funds. This involved considering both how to manage the tobacco settlement revenues (for example, whether to establish a special trust fund for the monies, the extent to which to spend versus invest the funds) and how to allocate the payments and potential investment earnings (that is, the purposes, programs, services, or projects towards which the monies would be applied).

Early in January, most governors put forth proposals on how their states would use the tobacco settlement fund money. These proposals were made in State of the State addresses, inaugural speeches, executive budgets, and simple press releases. Some governors asked legislators to introduce bills that they then endorsed. A few took no position and let the Legislature work through the details. During the next several months state legislatures wrestled with how to receive the money, how to manage the money, and how to spend it. Several states initially chose to establish special commissions, task forces, or study committees and hold public hearings to solicit public and expert opinion on how to best use the funds.

While states were eager to start exploring the range of options for managing and spending the settlement funds, legislators initially were hesitant to make anything but general decisions this year—for good reason. The actual amount states would end up receiving was in question when the federal government indicated it would seek to "recoup" a portion of the states' tobacco settlement payments. The federal Health Care Finance Administration (HCFA) argued it was legally entitled to recoup its share of smoking-related Medicaid costs under the Medicaid third-party recovery provisions of the Social Security Act.[5]

State legislators and governors from both ends of the political spectrum vigorously opposed federal recoupment and urged Congress to protect the states' settlement payments from federal interference. Federal legislation was required to prevent the recoupment of tobacco settlement funds. On May 21st, President Clinton signed the FY1999 Supplemental Appropriations bill including a provision stating that the federal government relinquishes all claims on the state tobacco settlement funds. With the recoupment issue settled, state decision makers were able to focus on how to use the tobacco settlement funds in their particular state.

Over 500 bills concerning the tobacco settlement payments were introduced in the 49 state legislatures in session this year. Much of this legislation did not pass out of committee; some stalled in the House or Senate or was stalemated when differences between the two chambers could not be resolved. By early June a majority of state legislatures had adjourned.

As of mid-October 1999:

- Thirty-seven states have enacted the model statute.
- Nineteen states have enacted laws to place the tobacco settlement funds in trust funds and four states have enacted laws to place the funds in endowments.
- Twenty-three states have enacted enabling legislation or appropriation acts concerning how the money should be spent. However, the specificity of these laws varies greatly.

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[5] Section 1903(d) of the Social Security Act states that the Health Care Finance Administration of the U.S. Department of Health and Human Services must recover its share of federal Medicaid matching percentage of third party payments collected by states on behalf of Medicaid clients.

Several of the legislatures that did not reach a decision on the disposition of the settlement funds are using the period between sessions as an opportunity to gather additional information and input from interested and concerned public and private entities. For example, Iowa, Idaho, Missouri, New Mexico, Ohio, and Pennsylvania all have task forces or study committees conducting meetings around the state to solicit opinions on how to manage and use the tobacco settlement funds.

Thus, about half of the states have yet to enact any legislation on what they would support with the tobacco money. Furthermore, much of the legislation that has been passed on the use of the funds tends to be written in broad terms. Therefore, both in the states that have taken legislative action and those that have not, ample further opportunity exists for individuals and groups to attempt to shape the policy and spending priorities for this money in their state.

DECISIONS ON FINANCIAL AND GOVERNANCE STRUCTURES

One of the first things states need to consider is how they will manage their tobacco settlement monies. This includes establishing the financial arrangements and governing mechanisms for receiving, maintaining, and disbursing the funds—that is, where the money will reside and who will have control over it. These decisions should be of key interest to those concerned with the potential use of these funds for children and family supports and services.

States are using a variety of financial arrangements to manage the tobacco settlement funds, ranging from placing them in the General Fund to establishing separate financial and governing structures. However, nearly all of the states are choosing to segregate these funds to some extent. Even if they are placed in the General Fund, for example, states are establishing separate accounts and codifying policy and intentions on their use.

Three Options for Managing the Tobacco Settlement Revenues

States are using these financial and governance structures to separate the tobacco settlement revenues from other funds:

- Trust Funds: separate accounts in the state treasury. Receipts and expenditures are generally made through legislative appropriation.
- Endowments: preserves the fund's principal. Expenditures may be controlled by a board.
- Foundations: independent entities that receive and disburse funds according to a charter. The governing body sets spending priorities.

Many states are choosing to manage their tobacco settlement funds by establishing trust funds, endowments, or foundations. Each of these mechanisms provides a tool for managing and disbursing the settlement monies separately from other funds. In this way, they are also tools for reserving and directing funds to specific purposes or uses, such as funding supports and services to children and families. These mechanisms are discussed below, followed by a discussion of other approaches.

Trust Funds

The creation of trust funds has been the most popular mechanism for managing the tobacco settlement funds. Nineteen states have established such funds to date.[6]

Trust funds are usually separate accounts in the state treasury. Their purposes are typically broadly defined. North Carolina, for example, enacted SB 6, which established a

[6] These are Alabama, Delaware, Florida, Hawaii, Kansas, Louisiana, Maine, Michigan, Minnesota, Mississippi, Montana, Nebraska, Nevada, New Mexico, North Carolina, North Dakota, Utah, Virginia, and West Virginia.

Health Trust. Under this legislation, twenty-five percent of the state's tobacco settlement funds will be placed in the trust and monies can be expended from the trust for health programs, services, and other activities.[7] Currently, the legislature is considering HB 1431 to establish a Health Trust Fund Commission, which would have the authority to decide more specifically how the trust funds will be used. The commission would be comprised of 15 members and would meet quarterly to decide how to disburse funds to state agencies, local government, and non-profit organizations.

Trust funds receive money through an annual appropriation in the course of the normal legislative process. Expenditures from the trust applying the funds to specific initiatives or projects are also determined through the appropriations process. Colorado, for example, enacted Senate Bill 172, which creates the Tobacco Litigation Settlement Fund within the state treasury to act as a depository for the funds the state will receive from the tobacco settlement. The bill does not directly appropriate any funds; it simply says that money in the Settlement Fund will be subject to appropriation by the General Assembly for purposes authorized by law in accordance with the Master Settlement Agreement and the Consent Decree.

Whereas other financial management mechanisms may be designed to preserve all or a portion of the funds for investment purposes, the principal in a trust typically—but not always—is available for expenditure. Mississippi, for example, is using a trust fund approach but also preserving its principal. Lawmakers in that state enacted House Bill 519, creating the Health Care Trust Fund into which the state will deposit $280 million from revenues the state receives from its separate tobacco settlement agreement. While directing money from the Trust Fund to be used for health purposes, the act states that the principal of the Trust Fund will remain inviolate and will never be expended—only interest on the fund will be appropriated.

Florida has used a variation on the trust fund approach to manage its tobacco settlement monies. It created one "main" trust fund to receive the money, and "mini" or "sub" trust funds to disburse the funds. The Department of Banking and Finance Tobacco Settlement Clearing Trust Fund will receive the money and then disburse it, through operating transfers, to trust funds that were created for specific agencies like the Department of Child and Family Services, the Department of Veterans' Affairs, and the Agency for Health Care Administration.

Endowments

An endowment is similar to a trust fund in many ways. Both establish a separate mechanism for receiving, holding, and disbursing funds. The main difference between the two is that an endowment is more permanent—creation of an endowment usually implies the intention to preserve a base amount of principal for a long time or in perpetuity. Thus, the goal of an endowment is long-term viability. Four states (Kansas, Louisiana, Minnesota, and Mississippi) are establishing endowments for their tobacco settlement funds.

Unlike in a typical trust, only the income generated from investing the funds is expended from an endowment. The principal is never spent. Louisiana, for example, enacted legislation that divides the settlement money into two funds, the Millienium Trust and the Louisiana Fund. The Millienium account is an endowment and only the interest from this fund can be spent. In the first year (FY 2000), the Louisiana Fund will receive 100 percent of the tobacco settlement funds. In FY 2001, 45 percent of the settlement will be placed in the Millenium Trust. This amount will increase to 75 percent by the third year and

[7] After a very public and sometimes rancorous debate, North Carolina enacted SB6 this past spring, which divided the tobacco settlement funds three ways. Fifty percent of the funds will go to tobacco communities, 25 percent is for tobacco farmers, and 25 percent goes to the Health Trust.

then remain at that level. Successive payments over the years will create a "nest egg" for the state, with the return on investment to be spent on health, education, and tuition programs. The Louisiana Fund is a trust. It will receive 55 percent of the initial payment, decreasing to

Considerations in Setting Up Financial Arrangements

- ***Should the allocation of funds be determined within or outside the normal appropriations process?*** For example, allocations from trust funds typically are made through the appropriations process, while foundations answer to an independent governing body. If decision making outside the appropriations process is desirable, how far removed from the legislative process should it be? For example, should the legislature specify or choose the members of the governing body?
- ***How broadly should the expenditure purposes be defined?*** Overly strict wording in trust purposes or foundation charters, for example, may lock the state into certain activities and hamper its ability to meet legitimate, unforeseen needs in the future. Alternatively, broader statements of purpose may allow for spending on activities inconsistent with those envisioned at the outset.
- ***Should any of the principal of the settlement funds be spent, or only the interest?*** Spending the principal provides more resources for addressing current needs; however, only tapping the interest (such as through an endowment) allows the body or "corpus" of the funds to continue to build.
- ***How permanent are the goals for the use of the settlement monies?*** A trust allows a state to more easily adjust its use of the funds over time, since the terms of a trust tend to be easily altered. Endowments tend to be more permanent, and the principal is often preserved in perpetuity. Foundations are also often considered to be permanent.
- ***What governing mechanism should be used to determine the use of the funds on an ongoing basis?*** Should the governor and legislator make these decisions through the appropriations process? Should a board control them through an endowment? Should a separate foundation with its own governing mechanism be established? How should the members of an independent governing body be chosen?

25 percent by the third year. The legislation allows for all of the money in the Louisiana Fund to be spent on an annual basis.

Boards are often chosen to set priorities for and manage the expenditure of funds from an endowment. As these boards can have an important influence on the ultimate use of endowment funds, policy makers and concerned citizens will want to be mindful of the make-up of these boards.

Foundations

A third option for managing the tobacco settlement funds is to create a foundation that would receive the funds and control their use. Virginia provides an example of a state that has taken this approach. It established a foundation to distribute the 10 percent of its tobacco settlement funds that it will use for smoking cessation and tobacco control activities.

Foundations are non-profit, philanthropic entities established to aid and maintain charitable activities. They are actual organizations that receive and disburse funds according to their charter, and they often make grants to other non-profit entities to carry out their purposes. Foundations operate outside the legislative process and answer only to the entity outlined in their charter. The longevity of a foundation can vary according to the long-term needs and mission for which it was created; however, foundations are often considered to be permanent.

General Fund/Other Existing Funds

Rather than creating new financial structures for managing the tobacco settlement funds, some states are planning to place these monies in the General Fund or other existing funds. In general, this option places these monies under the same rules as other monies in the fund—typically, expenditures of these funds are determined through the regular appropriations process. As noted above, however, even where the tobacco settlement funds have been placed in existing funds, some states have put special restrictions on them.

Connecticut, Idaho, Montana, New Hampshire, New Jersey, Vermont, and Wyoming have taken a more traditional approach to managing their tobacco settlement funds. For example:

- Wyoming has decided to place its initial payment in the General Fund and appropriate it for health and prevention programs. While placing the money in its General Fund, the state also made clear that the funds are not to be mixed with other General Fund revenue.
- New Hampshire chose to place all of its initial and FY 2000 payment (about $59 million) in its General Fund and spend all but $4 million on education. The state did so because it was facing a crisis over school funding—the New Hampshire Supreme Court had mandated that the state correct the flaws in its education funding formula. During 1999, the legislature also voted to increase the state's tobacco tax by 5 cents a pack to address the problem in future years. Some speculate that in subsequent years, New Hampshire may use its tobacco settlement payments for other purposes.
- Idaho directed all of its tobacco settlement money to be deposited into its existing Budget Reserve Account and Budget Stabilization Fund. According to HPTS state contacts, Idaho chose to act in this fashion mainly because the legislative session adjourned before the federal recoupment issue had been settled and state lawmakers were not sure how much tobacco settlement money they would actually have.

DECISIONS AFFECTING THE AMOUNT AND TIMING OF REVENUES

In their 1999 legislative sessions, as state leaders considered what to do with their tobacco settlement funds, they did not know exactly how much their states would receive over time. One reason was that the federal recoupment issue had not been settled. If successful, the federal bid to reclaim a portion of the settlement funds would have resulted in states receiving only a fraction of what they otherwise would have. Other factors that will continue to create uncertainty about the amount of future payments are built into the agreement, such as the provision for downward adjustment of the payments if cigarette sales decline.[8] And

[8] Under a provision in the Master Settlement Agreement, if the volume of cigarette shipped for sale within the U.S. drops by 10%, for example, then the annual payments to the states will be reduced by a similar percentage. According to Federal Funds Information for States (*Special Analysis: Tobacco Settlement Payments—Effect of*

tobacco companies' ability to make good on the settlement agreement in the face of potential future litigation and other developments will also not be known for some time.[9]

As noted above, many states have chosen to establish trust funds or endowments or to otherwise segregate the tobacco settlement monies from other funds. Banking the funds this way provides a way of dealing with the uncertainty of how much revenue will be available over time. It protects the funds from being mingled with general revenues or other funds until the state knows the amount of funds it will receive and determines exactly how it will use them.

Spending vs. Saving the Payments

Another critical issue for states to consider is whether to spend all of the tobacco settlement revenue or to save some or all of it for the future. Through its choices about whether to defer spending some or all of the payments, a state can dramatically affect the amount and timing of revenues it will have at its disposal. Recognizing the importance of this issue, at least six states have conducted analyses of how much revenue would be available if various portions of the funds were preserved and the balance spent. (See box for example.)

As noted above, states have made decisions that range from spending all the principal of an annual payment (e.g., Wyoming) to spending none of the principal and only the investment earnings (e.g., Mississippi). Other states have taken a combination approach, appropriating a portion of the funds and setting the rest of the funds aside to accumulate. In Massachusetts, for example, the Speaker of the House proposed placing all of the state's initial payment of $259 million in a trust fund and spending $40 million of the corpus of the trust plus the return on investment, approximately $19 million, on health care and prevention. After 25 years, and assuming a rate of return of 7.3% on the state's investments, the Speaker estimated that the corpus of the trust will have grown to $5.475 billion and generate $40 million each year.

While spending the annual payments allows states to direct these resources to meet current needs, saving some or all of the payments—while still spending the investment earnings on the payments—allows the body of funds to continue to accumulate and compounds the returns that can be earned. For example, if a state invested its annual payment of $144 million (the FY2000 amount for Maryland), it could generate $11.52 million in investment returns annually, assuming an 8% rate of return.[10] This amount could provide permanent funding for a program, initiative, or activity and no general revenue funds would have to be appropriated to support it. At the same time, the body of the first and succeeding years' principal would continue to accumulate and earn a return on investment.

Inflation and Volume Adjustments, July 15, 1999), over a 25-year period the effect of a 10% decrease in tobacco sales would be a loss of $15.3 billion, reducing the value of the settlement from $206 billion to $190.7 billion. As the cost of the settlement and tobacco taxes work to discourage smoking, it is likely that this provision will come into play.

[9] For example, many tobacco companies derive a significant portion of their profits from overseas, yet in the past year two countries have filed lawsuits against the tobacco industry similar to those leading to the settlement agreement with the states. The U. S. Justice Department also recently announced a lawsuit against the industry.

[10] Calculation by Lee Dixon, NCSL Health Policy Tracking Service.

Louisiana Tobacco Settlement Trust Fund Options

Louisiana lawmakers considered the following revenue projections in deciding how much of the state's tobacco settlement revenues to preserve and how much to spend annually. In this table, available revenues are the amounts not preserved, plus all interest earned. The table clearly illustrates the tradeoff between spending more earlier and having more revenue available later.

Available Revenues Under Savings Scenarios

Year	50% Preserved in Trust	75% Preserved in Trust
2000	$92 million	$60 million
2005	$127 million	$112 million
2010	$161 million	$161 million
2015	$193 million	$209 million
2020	$238 million	$267 million

Assumptions

- Annual earnings to the fund of 8%.
- Zero inflation for purposes of illustration.
- Louisiana will receive payments as projected in the settlement schedule.
- Payments from the Strategic Contribution Fund are not included.

Source: Council for a Better Louisiana, May 1999.

Issuing Bonds

Another approach affecting the amount and timing of a state's revenues would be to sell bonds. Maine, New York, Louisiana, and Arkansas are exploring this option. Here a state would get its entire amount of settlement funds at once by issuing bonds that would be repaid out of future payments. The state would receive a reduced amount of money, however, in exchange for taking it in a lump sum up front. Given the risk of decreased payments over time due to volume adjustments and other factors, as well as the higher value of present money over future money, states might find this an attractive option.

The mechanics of issuing bonds can vary, but, in general, a state would sell the revenue stream of the yearly settlement payments to a securities firm for a lump sum. The firm would issue the state-authorized bonds to get the lump sum amount up front for the state. The yearly settlement payments would then go to paying the interest and debt on the bonds.

DECISIONS ON THE SUBSTANTIVE ALLOCATION OF THE REVENUE

While over 500 bills were introduced in state legislatures in 1999 relating to the tobacco settlement, to date little has actually been decided about the ultimate use of those dollars. First, as shown in Table 4, only a small number of bills that were introduced resulted in enacted legislation. Furthermore, of the total number of bills introduced, as well as of those

enacted, by far the greatest number have to do with creating trust funds—a mechanism for managing the money rather than actually making use of it. Another group of bills have to do with the federal recoupment issue. So only a relatively small number deal with the uses to which the funds will be put.

Those statutes with a substantive focus that have been enacted tend to prescribe only the broad purposes towards which the money should go, leaving considerable room for further decision making. Many do not specify the actual programs to be funded nor the amount to be appropriated. While some statutes earmark a dollar amount and a time frame to use the funds, others only suggest areas in which the legislature should spend the money, or direct a commission or task force to bring recommendations to the legislature on specific programs the money should go towards.

Table 4

Tobacco Settlement Legislation: Number of Bills Introduced and Enacted, by Category

	Number of Bills Introduced	Number of Bills Enacted
Trust Fund	201	48
Health Care Services	140	30
Smoking Cessation, Education and Prevention	106	21
Children's Services	57	13
Recoupment	51	7
Tobacco Growers	40	13
Cancer/Medical Research	40	8
Education (K-12)	31	8
Senior's Services/Long-term Care	27	6
Tax Cuts/Tax Credits	10	0
Other	125	26

Nevertheless, it is instructive to look at the actions that were taken in the 1999 sessions. The types of legislation that were introduced, moved through legislatures, and enacted indicate the current parameters of the debate over the use of these funds, and likely indicate where further discussion will occur. For example, many bills died in 1999 because they couldn't be acted on before the end of session. It is anticipated that many of the issues these bills seek to address, if not the very same bills, will be introduced next session. Moreover, state actions taken to date can provide models for other states that are not as far along in the decision making process or that are looking to direct their settlement payments to particular purposes. The many examples of legislation directing funds to children's services, for example, will be of interest to those concerned with designing policies for this purpose in other states.

Legislation Focusing on Children's Services

As shown in Table 4 and Figure 1, legislation that has been introduced and moved to enactment can be grouped into several categories according to the purposes it addresses. Not

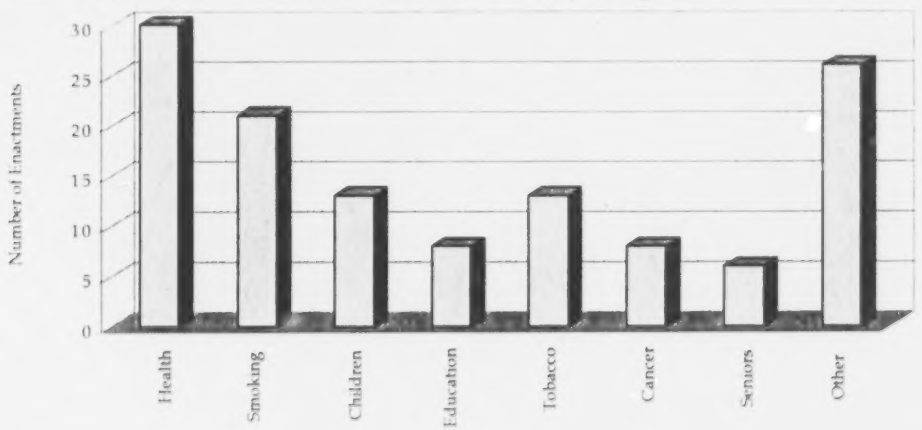
considering trust funds and recoupment, the largest numbers of enactments allocate the settlement funds for health care services (30) or smoking cessation, education, and prevention (21). Some of these enactments have a general focus while others include a focus on children (for example, directing funds to CHIP or the prevention of smoking among children). Thirteen enactments in 10 states focus specifically on children's services, and another eight enactments direct funds to K-12 education.

Legislation targeting tobacco growers also saw 13 enactments. Other purposes on which smaller numbers of enactments focus include cancer/medical research; senior services, including long-term care; graduate medical education; and a variety of miscellaneous purposes. Interestingly, although ten bills were introduced to use the funds for tax cuts or tax credits, none of these were enacted.

Below we provide examples of legislation that allocate the tobacco settlement funds to children's services. The discussion is organized by major category of legislation. For a summary of all legislation considered in 1999 with provisions affecting children, see Attachment 1. For a summary of each state's activity with regard to tobacco settlement legislation in any category, see Attachment 2.

Figure 1

Substantive Allocations of Tobacco Settlement Funds, by Category



Health

As noted above, outside of trust funds, the largest number of both introduced and enacted bills would allocate the tobacco settlement funds for health care programs. Approximately 140 health-related bills were introduced in 41 states. Of these, 30 bills were enacted in 21 states.

In general, these bills allocate tobacco settlement funds for indigent care programs, prevention and wellness programs, expanding insurance coverage, and numerous other purposes. Although the settlement was largely a result of the states initially seeking reimbursement for Medicaid and other smoking-related health costs, there have been few bills introduced that specifically allocate money to state Medicaid programs. Instead, most of

these bills allocate funds for a range of health purposes. CHIP or other services for children are sometimes enumerated among these purposes.

Legislation in Arizona and West Virginia provides examples of allocating the tobacco settlement funds to a **broad range of health purposes, including those affecting children**:

- In 1998, Arizona enacted Senate Bill 1008d, which directs any money received from a tobacco settlement to be used to implement the provisions of Proposition 203, as approved by voters in 1996. (Proposition 203 raised the state tax on cigarettes and directed the state to use the tax revenue for anti-smoking programs.) Any remaining monies will be deposited in the medically needy account of the tobacco tax and health care fund to expand the premium sharing demonstration project, provide health care services to children as part of CHIP, and provide any other health care services the Legislature deems necessary to meet the health care needs of the state.
- West Virginia House Bill 3031 as enacted creates the West Virginia Tobacco Settlement Medical Trust Fund as a special account in the state treasury. This fund will be comprised of 50 percent of all revenues the state receives from the tobacco settlement. The purpose of the fund is to stabilize the state's health-related programs and delivery systems. Money in the fund will also be used to educate the public about the health risks associated with tobacco use and for the establishment of a program designed to reduce and stop tobacco use, especially by teenagers.

Five states (Florida, Louisiana, Mississippi, Montana, and Pennsylvania) included language in their bills related to the **Children's Health Insurance Program (CHIP)**, although three of these states did not succeed in passing the legislation. All of these bills would have appropriated funds to expand or offer additional services through the state CHIP program. Mississippi and Pennsylvania provide examples of this type of legislation:

- Mississippi HB 69 would have required $50 million to be deposited from the tobacco settlement into the Children's Health Care Trust Fund to be spent exclusively on children's health issues, including CHIP. This bill died in committee. Instead, HB 519 was enacted, which directs $280 million toward improving the health and health care of the citizens and residents of the state.
- Pennsylvania HB 49 as introduced would annually appropriate a portion of tobacco settlement funds to CHIP to expand the program to more children in the state. To date, this bill has not moved out of committee.

Florida House Bill 3145, enacted in 1998, provides an example of legislation that directs tobacco settlement funds to **specific health-related purposes other than CHIP affecting children and families**:

This law appropriates a lump sum of $15.6 million from the Tobacco Settlement Trust Fund to establish a targeted outreach program for high-risk pregnant women who may not seek proper prenatal care, who suffer from substance abuse problems, or who are infected with HIV, and to provide these women with links to much-needed services and information. This money will also be used to replace the Tampa Branch Health Laboratory, for construction and renovation of the Hendry County Health Department, the Healthy Moms and Healthy Babies facility at the University of South Florida, and for the Center for Urban Transportation Research at the University of South Florida.

Smoking Cessation

In terms of the number of bills introduced and enacted, those that direct tobacco settlement funds for smoking cessation, education, and prevention are right behind health-related bills. One hundred and six smoking prevention bills were introduced in 31 states. Of these, 21 bills were enacted in 14 states. These bills often mention the goal of reducing or preventing smoking by minors, and direct a portion of the tobacco settlement funds for such purposes. North Dakota provides an example:

- Signed by the Governor on April 22, North Dakota HB 1475 creates the Tobacco Settlement Trust Fund. A portion of this law creates a health education trust fund to be administered by the state Department of Health. Funds are to be used for programs intended to prevent or reduce tobacco usage in the state, with emphasis on youth education and cessation programs. These funds cannot exceed 10 percent of total annual transfers from the tobacco settlement trust fund.

Legislation introduced in at least two states mentions the types of programs—school-based, community-based, or after-school programs—that would receive tobacco settlement funds to deliver smoking prevention or cessation programs to children and youth:

- Wyoming HB 123, enacted March 1, 1999, includes language to require part of the revenues from the tobacco trust fund to be used for health improvement, including efforts to prevent tobacco use through school and community-based programs.
- Connecticut HB 7031 would have directed funds to the Department of Mental Health and Addiction Services for smoking cessation programs, including programs in secondary schools, as part of school-based health centers, when available, or through after-school programs. This legislation did not pass out of committee.

Children's Services

Nearly 90 bills were introduced in 36 states to appropriate tobacco settlement money directly for children's services, including education. Twenty-one of these bills were enacted in 18 states. While some of this legislation is drawn very broadly to encompass a broad range of supports and services for children and youth, other legislation focuses on particular age groups, such as young children or school-age children, or particular services, such as school construction.

Florida House Bill 1885, the enactment of which established the Lawton Chiles Endowment Fund for Children and Elders, targets tobacco settlement funds to a broad scope of children's and other social services:

- The Fund will serve as a clearing trust fund for money the state receives from the tobacco settlement. Under the legislation, over $2 billion will be distributed to children's health programs, child welfare, and elderly programs over the next four years. The Fund will be administered by the State Board of Administration, which will distribute the amounts legislatively appropriated to trust funds of the state agencies. The state agencies will use the funds from the Endowment to enhance or support increases in clients served or in program costs in health and human services program areas.

Kansas: Using Tobacco Settlement Funds to Get Results For Children And Youth

Enacted on May 14, 1999, Kansas HB 2558 created the Kansas Endowment for Youth Fund to manage the tobacco settlement funds; the Children's Initiatives Fund to spend the funds on results-oriented programs for children and youth; and the Children's Initiatives Accountability Fund to evaluate the uses of the funds.

In addition, the new law calls for the establishment of a 15-member Kansas Children's Cabinet to advise the governor and legislature on the use of the money in the children's fund, and to evaluate the success of the programs awarded funds through the Children's Initiative.

- **Kansas Endowment for Youth Fund.** All of the money the state receives from the national tobacco settlement will be deposited in the state treasury and credited to the Kansas Endowment for Youth Fund. All moneys credited to the Kansas Endowment for Youth Fund will be invested to provide an ongoing source of investment earnings available for periodic transfer to the Children's Initiatives Fund. Expenditures may also be made from the Kansas Endowment for Youth Fund for the payment of the operating expenses of the Kansas Children's cabinet and the board of trustees.

  On July 1, 2000, $30 million is to be transferred from the Youth Fund to the Children's Initiative and $70 million is to be transferred to the General Fund. On July 1, 2001, $40 million and $10 million are to be transferred to the Children's Initiative and General Fund, respectively. On July 1, 2001, $45 million will be transferred to the Children's Initiative.

- **Children's Initiative Fund.** All money credited to the Children's Initiatives Fund will be used for providing additional funding for programs, projects, improvements, services, and other purposes directly or indirectly beneficial to the physical and mental health, welfare, safety, and overall well-being of children in Kansas as provided by appropriation or other acts of the legislature. In allocating or appropriating moneys in the Children's Initiatives Fund, the legislature will emphasize programs and services that are data-driven and outcomes-based and that are designed to prevent or stop children from being involved in or with tobacco, drugs, alcohol, juvenile delinquency, or violence. Programs must have a clearly articulated objective that will be achieved with use of the funds.

- **Children's Initiatives Accountability Fund.** All money credited to the Children's Initiative Accountability Fund will be used for the purposes of providing funding for assessment and evaluation of programs, projects, improvements, services, and other purposes for which money is allocated or appropriated from the Children's Initiatives Fund.

Kansas legislation creating the Kansas Endowment for Youth Fund, the Children's Initiative Fund, and the Children's Initiatives Accountability Fund also takes a broad approach to targeting the tobacco settlement funds to children and youth. In addition, the Kansas legislation is interesting because it establishes three separate funds for managing, spending, and accounting for the results of the money. The legislation is clearly focused on using tobacco settlement funds to support results-oriented programs for children and youth (see box on facing page).

Within the arena of children's services, some states are targeting their tobacco settlement funds to more specific populations or purposes. Minnesota provides an example of legislation directing funds to **early childhood development**:

- Minnesota SB 217 would create three endowment funds from the revenues received from the tobacco lawsuit settlement: the Medical Education and Research Endowment Fund, the Children's Endowment Fund, and the Tobacco Prevention Endowment Fund. The Children's Endowment Fund would focus on increasing the understanding of the development of young children's brains and developing new methods to increase the effectiveness of stimulation and educational activities that will improve brain development in young children through many different avenues. The bill will be carried over to the next legislative session.

Other states have considered or passed legislation focusing on using the funds for **programs for school-age children and youth**. New Mexico is the prime example, having introduced bills in both chambers of the legislature that include after-school programs, and passed one. New Mexico's legislation takes a comprehensive approach to funding school-age and youth development programs (see box on following page).

Finally, **K-12 education** is another area of children's services on which legislators have shown an interest in spending tobacco settlement money. Proposals would direct funding to education services as well as capital expenditures. An example of each is given below:

- North Dakota enacted House Bill 1475, which, along with distributing money to a health care trust fund and a water management trust fund, appropriates money from the tobacco settlement to the Common Schools Trust Fund to become part of the principal of that fund.
- Texas SJR 42 and SB 1695 would have allowed the Legislature to provide tobacco settlement funds for construction or improvement of the state's public school infrastructure, including public school buildings and other essential public education facilities. This legislation, which did not succeed, was intended to help equalize costs among school districts with different levels of taxable property values.

New Mexico: Proposals to Support Programs for School-Age Children and Youth Development

- New Mexico HB 501 was enacted on April 6, 1999 and allows the state to provide support for additional public school programs, including extracurricular and after-school programs, designed to involve students in athletic, academic, musical, cultural, civic, mentoring, and similar types of activities. This law also highlights the need for tobacco cessation and prevention programs, including public information, education, and media campaigns.

  In a late amendment on the Senate floor, language to establish a permanent fund for these programs was deleted. However, the Legislature is expected to spend a majority of funds on youth programs. The tobacco settlement committee is holding public hearings during the legislature's recess and will submit a plan to the Legislature by December 1999.

- New Mexico SB 714 would have created the Next Generation Council. This council would have developed, implemented, and managed a youth development grant assistance program to provide grants to communities, public schools, not-for-profit organizations, tribal entities, and post-secondary educational institutions for youth development programs and activities for youth from ages five through twenty throughout rural and urban New Mexico. Priority would have focused on proposals that involve youth in positive activities such as after-school programs, community service learning, leadership, and citizenship and that provide training and assistance to youth workers in the area of youth development. According to HPTS state contacts, the Legislature ran out of time and was unable to address this bill.

CONCLUSION

The tobacco settlement is historically significant because of the amount of revenue it will bring to the states, the long-term nature of the revenue stream, and the flexibility of the funds. Consequently, the settlement also provides a very significant opportunity for those concerned with providing supports and services for children, their families, and communities. Not only does it represent a potentially new and large source of funding, but it also provides an opportunity to think about new approaches for financing children's services over the long term. For instance, the long-term nature of this funding stream may enable states to shift funding to prevention programs with long-term payoffs while still meeting the funding needs of remediation programs that address immediate problems.

Besides taking the legal actions that will enable them to receive their tobacco settlement allotments, states need to make decisions concerning the management and use of the settlement monies. These decisions ultimately influence each state's ability to support children's programs as well as other priorities. The choice of a trust fund or other mechanism for holding the money is important because it establishes rules for the deposit, maintenance, and withdrawal of the funds and also determines who has authority to make these decisions. Decisions on spending versus saving and investing the funds affect the

amount of revenues the state will have at its disposal over time. And decisions on the purposes for which the funds are allocated obviously affects the extent to which children's programs and initiatives will benefit. Therefore, decision makers, advocates, and other concerned parties need to be informed about the issues and options involved in each of these sets of decisions.

State legislative action to date on the substantive allocation of funds gives an indication of the current parameters of the decision making process and debate, and provides some models that other states may wish to consider or adapt. Several observations are relevant. First, the choice of some states to direct some or all of their settlement funds to programs that serve children and their families is an indication of the priority many states are placing on providing supports and services that foster the healthy development of children. By allocating their tobacco settlement monies to initiatives focusing on early childhood, school-age children, and youth, these states are signaling their intention to put significant resources behind these critical programs.

Second, states are taking many different approaches to direct funds to supports and services for children, their families, and communities. Many of the funds that reach children will do so through programs focusing more generally on health services and the reduction of smoking. Other legislation more specifically targets children as a population (such as in the Kansas approach) or particular programs for children (including school-age programs, CHIP, and K-12 education). And some legislation directs funds to children's purposes in quite narrow ways, such as by providing funds for only certain populations or facilities. Those concerned with financing children's programs will face the challenges of integrating these new and potentially disparate funding streams with existing revenues for children's services, and ensuring that these new revenues do not supplant existing funding either in the near-term or over time.

Finally, there is still a great deal of opportunity for policy makers, advocates, and others to influence the decisions states make on the allocation of the tobacco settlement funds. Many states have not yet reached initial decisions on the allocation of these revenues, and even among those that have, decisions remain on the distribution of dollars to specific programs and initiatives. The initial round of decisions will be critical to setting a course for further decision making and determining the extent to which changes in allocation priorities can be made. The establishment of an endowment or foundation with a highly defined purpose, for example, will effectively lock in current decisions about the use of the funds. Nevertheless, those concerned with directing funds to children's programs have opportunities over both the near term and longer term to voice their concerns and priorities regarding the use of these monies. Truly "the game isn't over, until it's over," and the game of distributing dollars is just beginning.

ATTACHMENT 1

Tobacco Settlement Bills that Include a Provision Relating to Services for Children

STATE	BILLS/LAWS	DESCRIPTION
Alabama	HB 323 (Enacted)	Children's First Trust Fund
Alaska	—	—
Arizona	—	—
Arkansas	SB 750 (Died)	School Nurses
California	SB 276 (Carried over to 2000)	Health Services
	AB 100 (Vetoed)	Health Services
	AB 255 (Carried over to 2000)	Cessation
	AB 437 (Vetoed)	Stop Tobacco Access to Kids Enforcement (STAKE) Act
Colorado	HB 1208 (Enacted)	Prohibits Advertising & Marketing to Minors
	SB 132 (Died)	Children's Basic Health Plan/School Nurse
Connecticut	HB 7031 (Died)	School-Based Education-Elementary and Secondary Schools-After School Programs/Smoking Cessation
	HB 7052 (Died)	Youth Service Programs
	SB 356 (Died)	School Health Education-Tobacco & Alcohol
	SB 629 (Died)	Enforcing Sales/School Construction
	SB 850 (Died)	Health Services/Prevention
Delaware	—	—
Florida	HB 855 (Died)	School Nurses
	HB 999 (Died)	School-Based Health/School Nurses
	HB 1789 (Died)	Kid Care/Children's Healthy Bodies/Health Services/Mental Health Services/MediKids/CHIP
	SB 2500 (Enacted)	Health Services
Georgia	—	—
Hawaii	HB 175 (Carried over to 2000)	Children's Health/Cessation & Education
	HB 292 (Carried over to 2000)	Early Childhood Education/School-Based Health Centers/Health Services/Violence Prevention Health Services/Education and Enforcement
	HB 1152 (Carried over to 2000)	Enforcing Retail and Penalties
	HB 1330 (Carried over to 2000)	Enforcing Retail-Sales
	HB 1651 (Carried over to 2000)	Reducing Use
	SB 167 (Carried over to 2000)	Early Childhood Education/School-Based Health Centers/Health Services/Violence Prevention
	SB 1034 (Enacted)	Children's Health Programs/Cessation and Education
	SB 1213 (Carried over to 2000)	Reduction of Sales-Use-Purchase/Intervention
Idaho	HB 82 (Enacted)	Advertising
Illinois	HB 1245 (Introduced)	Health Services/Enforcement of Access
Indiana	HB 1365 (Died)	Health Services-Children's Health Trust Fund
	HB 1870 (Enacted)	Smoking Reduction
Iowa	HB 582 (Carried over to 2000)	School-Based Health Services/Cessation/Education/Advertising/Enforcement of Laws
Kansas	HB 2558 (Enacted)	Children's Trust Fund/Children's Initiative Fund/Kansas Children's Authority
Kentucky	—	—

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Louisiana	HB 362 (Died)	Health Care for Children/Prevention and Education/Law Enforcement
	HB 387 (Died)	Louisiana Endowment for Academic Development Fund (LEAD)/ Health Care/Prevention & Law Enforcement
	HB 640 (Enacted)	Health and Education Excellence Fund
	HB 898 (Died)	CHIP Support Fund
	HB 1331 (Died)	CHIP Support Fund
	HB 1479 (Died)	CHIP Support Fund
	HB 1547 (Enacted)	CHIP Support Fund
	HB 1741 (Died)	CHIP Support Fund/Health Care for Children/Education & Prevention
	HB 1745 (Died)	CHIP Support Fund/School Repair/Teachers Salaries
	HB 1819 (Died)	CHIP Support Fund/School Repair/Teachers Salaries/Future Direction Committee
	HB 1862 (Died)	CHIP Support Fund/Louisiana Endowment for Academic Development (LEAD) Fund/Health Care/Prevention & Enforcement of Laws
	SB 224 (Died)	School System Funds
	SB 711 (Died)	Louisiana Education Excellence Fund Committees
Maine	HB 454 (Enacted)	Reduction/Prevention/Child Care/SBHCs
Maryland	HB 751 (Enacted)	Reduction of Use by Minors
	SB 334 (Enacted)	Health Education/Advertising
Massachusetts	HB 1945 (Introduced)	Children's and Seniors' Health Care Assistance Fund
	HB 3445 (Introduced)	School Nurses
Michigan	—	—
Minnesota	HB 203 (Carried over to 2000)	Children's Endowment Fund/Youth Development/Education
	SB 217 (Carried over to 2000)	Children's Endowment Fund/Youth Development/Education
	SB 2225 (Enacted)	Prevention/Education
Mississippi	HB 69 (Died)	Mississippi Children's Health Care Trust Fund Act/Health Care/CHIP
	SB 2610 (Died)	Mississippi Children's Health Care Trust Fund Act/Health Care/CHIP
Missouri	SB 223 (Died)	Smoking Prevention/Media Campaign
	SJR 19 (Died)	Children's Health
Montana	HB 131 (Died)	Children's Health Insurance Plan (CHIP)/School-Based Health Programs
	SB 247 (Died)	Expand Medicaid Eligibility for Certain Teenagers
	SB 489 (Died)	Children's Health Insurance Program (CHIP)
Nebraska	—	—
Nevada	—	—
New Hampshire	HB 112 (Enacted)	Education Trust Fund
	HB 618 (Introduced)	Cessation/Education
	SB 206 (Introduced)	Cessation/Prevention
New Jersey*	AB 1007 (Introduced)	Prevention/Education
	AB 3030 (Introduced)	Lead Screening of Children Ages 6 and Under
	AB 3191 (Introduced)	Prevention/Education
	AB 3192 (Introduced)	School-Based Youth Service Programs
	SB 3000 (Enacted)	Youth Media Campaigns/School Based Prevention/Cessation
New Mexico	HB 501 (Enacted)	School Health/After-School/Mentoring Programs
	SB 515 (Died)	Rural School Districts for Educational Technology
	SB 714 (Died)	Next Generation Trust Fund/The Next Generation Council/the Youth Development Fund
New York	AB 6897 (Introduced)	Prevention & Smoking Reduction
	AB 8852 (Passed Assembly)	Prevention/SBHCs
North Carolina	SB 969 (Carried over to 2000)	Smoking Reduction
North Dakota	HB 1475 (Enacted)	Health Education/Cessation
Ohio	—	—

Oklahoma	HB 1002 (Carried over to 2000) HB 1040 (Carried over to 2000) HB 1601 (Enacted)	Youth Access/Substance Abuse Services Health Services Advertising/Marketing
Oregon	—	—
Pennsylvania	HB 49 (Introduced) HB 1641 (Introduced) SB 396 (Introduced) SB 898 (Introduced)	Children's Health Insurance Program (CHIP) Children Relief Fund Commission Youth Access/Penalties/Law Enforcement Health Services
Rhode Island	HB 5091 (Carried over to 2000) HB 5903 (Carried over to 2000) SB 2 (Carried over to 2000) SB 358 (Carried over to 2000)	Health Care Health Education/Cessation Identify Health Needs of Youth-Target Needs Reduce Tobacco Use
South Carolina	SB 894 (Carried over to 2000)	Smoking Prevention
South Dakota	—	—
Tennessee	HB 1783 (Carried over to 2000) SB 1743 (Died)	School Nurses/Children's Hospital-Cancer/Vaccinations School Nurses/Children's Hospital-Cancer/Vaccinations
Texas	HB 1 HB 2562 (Died) SB 1156 (Died) SB 1695 (Died) SJR 42 (Died)	CHIP/Healthy Kids Fund/Health Services/Law Enforcement Injury Prevention Injury Prevention School Facility Repair School Facility Repair
Utah	—	—
Vermont	HB 310 (Carried over to 2000) HB 554 (Enacted)	Reduce Tobacco Use Early Education
Virginia	HB 2635 (Enacted) SB 1165 (Enacted)	Restrict Use/Law Enforcement Restrict Use/Law Enforcement
Washington	HB 2014 (Carried over to 2000) SB 5359 (Carried over to 2000) SB 5485 (Enacted)	Prevention/Advertising/School-Community Education/Cessation/Law Enforcement Prevention/Advertising/School-Community Education/Cessation/Law Enforcement Reduce Tobacco Use
West Virginia	HB 3031 (Enacted) SB 372 (Enacted)	Reduce Tobacco Use Reduce Tobacco Use
Wisconsin	SB 197 (Introduced)	Health Trust Board
Wyoming	HB 123 (Enacted)	Prevention Through School and Community Programs

Source: The Health Policy Tracking Service (NCSL), September 10, 1999.
* Further legislative activity is possible this session.

ATTACHMENT 2

State-By-State Legislative Action

Alabama

In 1998, the Alabama Legislature passed House Bill 92, which created the Children First Trust Fund in the state treasury. The bill directed an amount of up to and including $85 million from the tobacco settlement to be deposited into the Children First Trust Fund with the remainder going into the State General Fund. The money in the Children First Trust Fund would go to programs like juvenile boot camps, juvenile probation offices, increased payments to foster parents, mental health programs for children, and alternative schools.

In 1999, the new governor, Don Siegelman (D), initially supported using tobacco settlement revenues to fund Children First programs at the level of at least $85 million per year. He also wanted the remaining money to go into a new Alabama 21st Century Fund that would be managed by a board made up of the governor, his finance director and the state treasurer. With legislative approval, the board could issue bonds for any purposes, backed up with funds in the 21st Century Fund.

The Legislature, however, did not appropriate the full $85 million that Governor Siegelman suggested and that previous 1998 legislation (H 92) called for. Instead, in 1999, the Alabama Legislature passed 6 bills dealing with the tobacco settlement that Governor Siegelman signed into law that distribute the tobacco settlement money, but in different amounts than Siegelman called for.

Two bills, House Bill 38 (AL H 38) and Senate Bill 85 (AL S 85) enact the Model Statute, a requirement for each state that signed the Master Settlement Agreement to receive its full share of the expected payments from the participating tobacco manufacturers. The four other enacted bills distributed tobacco settlement money for children, seniors, health care services, and bonds to recruit a Honda plant to the state.

AL H 323 created a special fund to be known as the Alabama 21st Century Fund into which tobacco settlement revenues will be deposited. The act also authorizes the incorporation of the Alabama 21st Century Authority, which will have the power to issue bonds to be payable out of the revenues held in the Alabama 21st Century Fund. The following amounts will be retained in the 21st Century Fund in the following fiscal years to be used to pay principal, interest, and premium (if any) due on Bonds issued by the Authority: fiscal year (FY) 2000, $7 million; FY 2001, $9 million; FY 2002, $11 million; FY 2003-2017, $13 million; and FY 2018 and thereafter, $16 million. In addition, the following amounts of tobacco settlement revenues received in each of the following fiscal years will be transferred from the 21st Century Fund to the Children First Trust Fund to be appropriated by the Legislature for programs authorized by the Children First Act: FY 2000, up to $60 million; FY 2001, up to $65 million; and FY 2002 and each fiscal year thereafter, up to $70 million. An amount up to $2 million will be transferred beginning in the fiscal year ending September 30, 2000, and each fiscal year thereafter, to the Alabama Senior Services Trust Fund. The remainder of the tobacco settlement revenues will be annually transferred to the state General Fund. In fiscal years 2000 and 2001, an amount up to $40 million transferred to the General Fund will be appropriated by the Legislature to the Alabama Medicaid Agency, of which up to $3 million will be appropriated to fund the Medicaid Waiver Program at the Alabama Commission on Aging. In fiscal year 2002 and each fiscal year thereafter, an amount up to $45 million will be transferred to the General Fund and will be appropriated to fund the Medicaid Waiver Program. After the funding required by the 21st Century Fund to

pay principal, interest, and premium due on Bonds issued by the Authority, the first $38.8 million of tobacco settlement revenues received by the state will be distributed and appropriated as follows: (a) 50% to the Alabama Medicaid Agency, and (b) 50% to the General Fund. The act is contingent upon the enactment of House bill 455 of the 1999 Regular Session.

AL H 716 authorizes the Alabama 21st Century Authority to sell and issue bonds for $50 to induce an internationally renowned company (Honda) to locate a state-of-the-art manufacturing facility in Alabama. The bonds will be payable solely out of and secured by a pledge and assignment of tobacco revenues held in the Alabama 21st Century Fund.

AL S 322 created the Alabama Senior Services Trust Fund as a separate fund in the state treasury. Beginning October 1, 2000, and each October 1 thereafter, $10 million will be appropriated to the Alabama Senior Services Trust Fund from funds in the state general fund that were received from the proceeds of the tobacco settlement. Earnings in the trust fund will not be subject to appropriation until the first quarter of the fourth year after the establishment of the trust fund. During such first quarter of the fourth year and during the first quarter of each year thereafter, 85 percent of the earnings of the prior year will be appropriated to the Alabama Commission on Aging. Any funds appropriated pursuant to this act will be additional funds distributed to the Alabama Commission on Aging and will not be used to supplant or decrease existing state or local support to the Alabama Commission on Aging.

Alaska

Governor Tony Knowles (D) proposed using the state's share of the national tobacco settlement on foster care, permanent adoptions, day care, additional child protection workers, children's health and anti-tobacco programs.

In the 1999 legislative session, the Legislature introduced a bill in the House that would earmark tobacco settlement money for health care and smoking cessation. House Bill 21 would have appropriated 50 percent of the funds the state will receive from the tobacco settlement for medical assistance for needy persons and the other 50 percent for tobacco smoking education and cessation, and health screening programs for smokers. A competing bill in the Senate, S 70, would have credited the funds to the state's Budget Reserve Fund. However, the Legislature adjourned without passing either bill.

The only bill that dealt with the tobacco settlement that was enacted, AK H 50, an appropriations bill, appropriates $1.4 million from the state's tobacco settlement funds to the Department of Health and Social Services for payment as a grant under AS 37.05.316 to the American Lung Association of Alaska, acting as the lead agency on behalf of the Alaska Tobacco Control Alliance for a tobacco cessation, prevention, and control program.

Arizona

In the early days of 1999, Governor Jane Dee Hull (R) suggested spending the state's share of the tobacco settlement on "Arizona's PATH," which stands for "Positive Action for Tomorrow's Health," an initiative to build long-needed medical facilities and to permanently fund various health care programs. The governor wanted to put one third of the settlement money into a new health trust fund, whose interest would be used to provide a permanent funding stream for critical health research and treatment programs. The remaining funds would be used for a new state mental hospital, a new state health laboratory, rural health clinics, and sharing funds with the counties to help them with health care programs based on the needs they identify. Governor Hull is contemplating calling a special session to deal with the tobacco settlement funds issue.

In the Legislature, Senate President Brenda Burns proposed putting all of the state's tobacco settlement funds into a trust fund and decide how to spend the money later. House Speaker Jeff Groscot wanted to use the tobacco settlement funds for a tax cut and for smoking cessation and to restore funding to a scholarship program called ASPIRE that promises college scholarships to low-income elementary students who pledge to stay out of trouble.

However, only one bill that was introduced in the 1999 legislative session dealing with the tobacco settlement was enacted into law. Senate Bill 1357 (AZ S 1357) appropriates $8 million from the Tobacco Settlement Fund to Arizona Health Care Cost Containment System (AHCCCS) administration beginning in fiscal year (FY) 2000-2001 and each fiscal year thereafter to reimburse Healthcare Group plans as approved by the administration.

In the 1998 legislative session, S 1008d was enacted and it directed any money received from a tobacco settlement to be used to implement the provisions of proposition 203, as approved by voters in 1996. Any remaining monies are to be deposited in the medically needy account of the tobacco tax and health care fund to expand the premium sharing demonstration project, provide health care services to children as part of CHIP, and provide any other health care services the Legislature deems necessary to meet the health care needs of the state.

Arkansas

While Governor Mike Huckabee (R) has not publicly endorsed a plan to spend the state's allotment of the national tobacco settlement, he has called for a special session, at a date to be determined later, to deal with the tobacco settlement issue. In general, he would like to see the money used on health-related programs to reduce teen smoking, reducing heart disease, strokes, and cancer, and community-based public awareness.

House Speaker Bob Johnson (D) appointed a task force, comprised of 20 House members, chaired by Rep. Randy Laverty (D) to study how the state should receive its tobacco settlement money, how much should be spent and how it should be managed. Laverty himself has indicated that he thinks the funds should be dedicated for health-related programs, including tobacco education programs. Senate President Pro Tempore Jay Bradford (D) has stated that the Senate's Interim Public health, Welfare & Labor Committee will deal with the tobacco settlement funds issue in the Senate. Bradford suggests spending tobacco settlement money on tobacco-related health care and other health care programs.

There has also been talk about the sale of bonds backed by the settlement funds as a way for the state to receive a guaranteed up-front payment.

Thus far, the Legislature has introduced several bills that appropriate the state's tobacco money. Senate Bill 616 appropriates, for the biennial period ending June 30, 2001, the sum of approximately $1.6 billion to the Office of the Treasurer of the State, to be payable from the Tobacco Settlement Trust Fund, for distribution and transfers to state agencies for health related research projects and other programs approved to be financed from the proceeds of the tobacco settlement. Senate Bill 750 appropriates $13.56 million in fiscal years 1999-2000 and 2000-2001 from the Tobacco Settlement Trust Fund to the Department of Education - General Education Division for grants to schools to provide school nurses to meet the nurse to student ratio for the biennial period ending June 30, 2001.

Two bills have actually been enacted into law. House Bill 1839, appropriates $2 million from the General Improvement Fund for indigent health care costs associated with the University of Arkansas for Medical Sciences (UAMS), which are costs incurred by patients at UAMS who have no source of insurance. In the event funds become available to the UAMS for indigent care costs incurred through the State of Arkansas' tobacco settlement monies, equal to or greater than the $2 million appropriation made, then the appropriation made

from the General Improvement Fund will not be funded. Senate Bill 867 enacts the Model Statute.

California

Governor Gray Davis (D) proposed placing the year 2000 $560 million tobacco settlement payment in the state's general fund. The state's nonpartisan fiscal analyst (Legislative Analyst's Office) recommended that the revenue from the tobacco settlement be deposited in the General Fund and not be earmarked for new or ongoing programs due to the uncertainty of receiving all the funds.

Among the cities that will receive revenues from the tobacco settlement, San Diego has proposed using $100 million of their expected $945 million allotment on a cancer center, and Los Angeles has proposed using $10 million of its tobacco settlement funds to improve sidewalks for handicapped citizen use and earmark $4 million to build parks in poor neighborhoods. LA also plans on using some of its tobacco settlement money for tobacco education programs.

In the state legislature, many bills have been introduced with proposals for utilizing the tobacco settlement money, but only four have passed both chambers. Assembly Bill 100 (CA AB 100) requires all funds from the tobacco settlement to be deposited in the Healthy Families Fund. CA AB 112 directs 50% of the tobacco settlement money that is allocated to the cities and counties to be deposited in a special Tobacco Litigation Settlement Fund in the state treasury. CA AB 437 earmarks $2 million of the state's tobacco settlement money for the Stop Tobacco Access to Kids Enforcement (STAKE) to help enforce prohibitions against selling tobacco to minors. CA SB 822 enacts the Model Statute.

Colorado

The Colorado Task Force on Tobacco Litigation issued a report on January 5, 1999. The group was comprised of local government officials, state departments, non-profit organizations and trade associations charged with making recommendations to the general assembly on how the tobacco settlement money should be spent. The commission recommended that the settlement funds be used to supplement existing funding, with the biggest share going towards public health and youth programs.

Gov. Bill Owens (R) wanted to use the state's tobacco settlement money for school construction. He wants at least $380 million of the settlement money to be used to provide tutors for every 3rd grader with below average reading skills - a "Read to Achieve" program. He also requested that the Colorado General Assembly use a portion of the money from the tobacco settlement to fund the state's CHIP program and use some of it on public health programs. Attorney General Ken Salazar suggested using the tobacco settlement funds to help settle a lawsuit the state faces over underfunding of public schools in poorer counties and State Treasurer Mike Coffman wanted the tobacco settlement money put into a trust fund so that programs can be paid for out of the interest the trust fund would generate. Treasurer Coffman also proposed selling 75% of the state's settlement fund now to a financial institution in order to get a large lump-sum payment right away.

In the Legislature, 5 bills dealing with the tobacco settlement passed out of the Legislature, but only 3 were enacted into law. Colorado Senate Bill 172 (CO S 172) creates the Tobacco Litigation Settlement Fund to be comprised of revenue received from the national tobacco settlement. All money in the Settlement Fund will be subject to appropriation by the General Assembly for purposes authorized by law in accordance with the Master Settlement Agreement and Consent Decree. In addition, the act specifies that money credited to or expended from the Fund are damage awards or interest thereon and are excluded from state

fiscal year spending. CO S 231, however, replaces the Tobacco Litigation Settlement Fund with the Tobacco Litigation Settlement Cash Fund. The act specifies that all tobacco litigation settlement money not credited to the Tobacco Litigation Settlement Trust Fund, also created in this act, to be credited to the Cash Fund, that the General Assembly will appropriate the money in the Cash Fund, and any unencumbered money remaining in the Cash Fund at the end of any fiscal year be transferred to the Tobacco Litigation Settlement Trust Fund. The Tobacco Litigation Settlement Trust Fund's principal will consist of the first $33 million of all money paid to the state treasurer from the tobacco settlement, no less than 20% of all subsequent payments from the tobacco settlement, and all money transferred to the Trust Fund from the Cash Fund at the end of any fiscal year. CO H 1208 enacts the Model Statute.

The two bills that were not enacted were CO H 1093 and CO S 132. House Bill 1093, which passed out of the House but failed to pass the Senate, dedicated tobacco settlement money to the Colorado Children's Basic Health Plan. Senate Bill 132, however, passed both the House and Senate but was not sent to Governor Owens because the governor stated he would veto the bill because it did not contain enough appropriations from the tobacco settlement for school construction (Owens wanted at least 30% of the funds dedicated for such programs). The bill would have directed money for a nurse home visitor program, school nurses, scientific research, voluntary health organizations that are dedicated to the reduction of tobacco use, and a tobacco-related mental health services program to provide tobacco addiction prevention and treatment programs for persons with mental illness.

Connecticut

Governor John Rowland (R) proposed spending the tobacco settlement money on education, public health programs, vaccinations, school aid, and computers for school.

Attorney General Richard Blumenthal wanted the Legislature to create a Tobacco Settlement Fund to appropriate tobacco settlement money for tobacco prevention, education and cessation program to reduce tobacco usage and for other health-related services for children and their families.

Senate President Pro Tempore Kevin Sullivan (D) and House Speaker Moira Lyons (D) suggested putting a portion of the state's tobacco settlement money into a special trust fund and use that money, along with interest from the trust, for educational and anti-smoking programs over the next two years.

However, it took a special session of the Legislature to resolve what to do with the tobacco settlement money. The bill that was enacted, House Bill 7501a (CT H 7501a), is an appropriations bill that creates the Tobacco Settlement Fund as a separate, nonlapsing fund in the state treasury that will act as a repository for any funds the state receives from the national tobacco settlement. The act also creates the Tobacco and Health Trust Fund, which will receive transfer payments from the Tobacco Settlement Fund and will also be a separate, nonlapsing fund. For the fiscal years ending June 30, 2000, and June 30, 2001, annual disbursements from the Tobacco Settlement Fund will be made as follows: (1) first to the General Fund in the amount identified as "Transfer from Tobacco Settlement Fund" in the General Fund revenue schedule adopted by the General Assembly ($228 million of which will go for education); and (2) second, to the Tobacco and Health Trust Fund in an amount equal to $20 million. For the fiscal year ending June 30, 2000, $5 million will be disbursed from the Tobacco Settlement Fund to a Tobacco Grant account to be established in the Office of Policy and Management. The funds will not lapse on June 30, 2000, and will continue to be available for expenditure during the fiscal year ending June 30, 2001. The grants will be used to reduce tobacco abuse through prevention, education, cessation, treatment, enforcement and health needs programs.

Delaware

In the beginning of 1999, Governor Tom Carper (D) suggested using the state's tobacco settlement money to support a new campaign to reduce teen smoking and earmarking funds for a Delaware Health Fund to expand health coverage and keep Delaware citizens healthy.

The 1999 Legislative Session ended on June 30 with two bills enacted that dealt with the tobacco settlement. Senate Bill 8 (DE S 8) creates the Delaware Health Fund, comprised of revenues from the tobacco settlement, and the Health Fund Advisory Committee. The act states that all tobacco settlement money will be deposited into the Delaware Health Fund, from which money can be appropriated by the Legislature each year for health-related programs including expanding access to health care, long-term investments for health care infrastructure, promoting healthy lifestyles, and promoting preventive care. The act directs the Delaware Health Fund Advisory Committee to conduct public hearings and develop recommendations on how the money in the Delaware Health Fund should be spent. The committee will submit the plan to Governor Carper and the Legislature by November 15 of this year. The state also enacted DE HJR 2, which urged the United States Congress to grant Delaware, as it deems appropriate, full control over its share of the national tobacco settlement.

Two additional bills were signed in late July and early August, DE H 180 and DE S 6. DE H 180 enacts the Model Statute. DE S 6 allocates a portion of the tobacco settlement money to provide payment assistance for prescription drugs to Delaware's low-income senior and disabled citizens who are ineligible for, or do not have, prescription drug benefits or coverage through federal, state, or private sources.

Florida

In 1998, the Florida Legislature passed seven bills that the late governor Lawton Chiles (D) signed into law that dealt with the tobacco settlement. These bills are summarized below:

H 3145 -- Appropriates a lump sum of $15.6 million from the Tobacco Settlement Trust Fund (see S 1268) to establish a targeted outreach program for high-risk pregnant women who may not seek proper prenatal care, who suffer from substance abuse problems, or who are infected with HIV, and to provide these women with links to much needed services and information. This money will also be used to replace the Tampa Branch Health Laboratory, construction and renovation of the Hendry County Health Department, the Healthy Moms and Healthy Babies facility at the University of South Florida, and for the Center for Urban Transportation Research at the University of South Florida.

H 3783 -- States that cigarette tax dollars pledged to the H. Lee Moffitt Cancer Center and Research Institute at the University of South Florida will be replaced annually by the Legislature from tobacco settlement proceeds.

S 484 -- Appropriates $2 million from tobacco settlement revenues to the Grants and Donations Trust Fund of the Agency for Health Care Administration, to be matched at an appropriate level with federal Medicaid funds, to provide prosthetic and orthotic devices for Medicaid recipients when such devices are prescribed by licensed practitioners participating in the Medicaid program.

FL S 1268 -- Creates the Tobacco Settlement Trust Fund to accept all deposits received by the state as a result of the settlement of the tobacco lawsuit.

FL S 1270 -- Appropriates a lump sum of $70 million from tobacco settlement revenues to the Department of Health to continue implementation of the Florida Kids Campaign Against Tobacco Pilot Program in fiscal year 1998-1999.

FL S 1660 -- Appropriates $10 million from tobacco settlement revenues to the Department of Children and Family Services to contract with a private nonprofit corporation to implement the Healthy Families Florida program. The private nonprofit corporation will

be incorporated for the purposes of identifying, funding, supporting, and evaluating programs and community initiatives to improve the development and life outcomes of children and to preserve and strengthen families with a primary emphasis on prevention.

FL S 2500 -- Establishes guidelines for using funds paid to the state of Florida as a result of the tobacco settlement. It states that tobacco settlement money should be placed in a trust fund and that the Legislature must approve all program and funding proposals.

In 1999, Governor Jeb Bush (R) proposed earmarking more than $1 billion of tobacco settlement money to establish the Lawton Chiles Tobacco Endowment for Children and Elders that would be dedicated to children's health and welfare programs and community care for the elderly. Bush wants to spend tobacco settlement money on expansion of health care for children, improving foster care and at-home care for the elderly.

The Florida Legislature devoted a lot of time to the tobacco settlement issue in 1999, and, as a result, enacted 10 pieces of legislation that deal with the settlement and the appropriation of funds. These enacted laws include:

FL H 1885 – This act establishes the Lawton Chiles Endowment Fund, to be administered by the State Board of Administration, which will serve as a clearing trust fund and will be funded by money the state receives from the tobacco settlement. Funds from the Endowment Fund will be distributed by the board to trust funds of the state agencies in the amounts legislatively appropriated for the state agencies. The state agencies will use the funds from the Endowment to enhance or support increases in clients served or in program costs in health and human services program areas. This act also creates, within the Endowment Fund, the Florida Biomedical Research Program to support research initiatives that address the health problems of Floridians in the areas of cancer, cardiovascular disease, stroke, and pulmonary disease. The Biomedical Research Advisory Council is also established to advise the Secretary of Health as to the direction and scope of the biomedical research program.

FL S 1734 -- This act creates the Department of Veterans' Affairs Tobacco Settlement Trust Fund within that department. Money will be credited to the Trust Fund from the Department of Banking and Finance Tobacco Settlement Clearing Trust Fund in amounts equal to the annual appropriations made from this trust fund. Funds will be used as appropriated for any of the purposes that are permitted or required by the tobacco settlement. Any unencumbered balance in the Trust Fund at the end of any fiscal year and any encumbered balance remaining undisbursed on December 31 of the same calendar year will revert to the Department of Banking and Finance Tobacco Settlement Clearing Trust Fund. The Department of Veterans' Affairs Tobacco Settlement Trust Fund will, unless terminated sooner, be terminated on July 1, 2003.

FL S 1948 - Directs a portion of the tobacco settlement to be used to create a long-term funding stream, for children's health services to match federal CHIP dollars, for providing health care for the elderly and disabled adults, including health care for illnesses that are related to tobacco use, and to fund education, training, and enforcement programs, such as classroom programs, "tobacco-free" sports programs, peer-mentoring programs, and museum science and discovery programs. Consideration should also be given to youth smoking cessation programs, public and nonprofit hospitals, clinics, and medical schools that treat patients with tobacco related-illnesses, and investing in the Med Access/Medical Buy-In Program for uninsured or underinsured employees of small businesses. It also includes a reimbursement in the form of a nonrecurring appropriation not to exceed $30 million to local governments that have borne costs of tobacco-related Medicaid patient care.

FL S 1954 -- Creates the Agency for Health Care Administration Tobacco Settlement Trust Fund within that department. Money will be credited to the Fund from the Department of Banking and Finance Tobacco Settlement Clearing Trust Fund in amounts

equal to the annual appropriations made from the Fund. Any unencumbered balance in the Trust Fund at the end of any fiscal year and any encumbered balance remaining undisbursed on December 31 of the same calendar year will revert to the Department of Banking and Finance Tobacco Settlement Clearing Trust Fund. The Agency for Health Care Administration Tobacco Settlement Trust Fund will, unless terminated sooner, be terminated on July 1, 2003.

FL S 1960 -- Renames the Tobacco Settlement Trust Fund as the Department of Health Tobacco Settlement Trust Fund. Money credited to the Department of Health Tobacco Settlement Fund will consist of funds disbursed, by nonoperating transfer, from the Department of Banking and Finance Tobacco Settlement Clearing Trust Fund in amounts equal to the annual appropriations made from this trust fund. Any unencumbered balance in the trust fund at the end of the fiscal year and any encumbered balance remaining undisbursed on December 31 of the same calendar year will revert to the Department of banking and Finance Tobacco Settlement Clearing Trust Fund. The Department of Health Tobacco Settlement Trust Fund will, unless terminated sooner, be terminated on July 1, 2002.

FL S 1962 -- Creates the Department of Banking and Finance Tobacco Settlement Clearing Trust Fund, which will consist of all funds the state receives from the tobacco settlement. The State Board of Administration will invest and reinvest the money in the Clearing Trust Fund. Costs and fees of the State Board of Administration for providing such investment services will be deducted from earnings accruing to the trust fund. The department will disburse funds, by nonoperating transfer, from the Clearing Trust Fund to the tobacco settlement trust funds of the various agencies in amounts equal to the annual appropriations made from those trust funds in the General Appropriations Act.

FL S 1964 -- Creates the Department of Business and Professional Regulation Tobacco Settlement Trust Fund within that department. Funds to be credited to the Department of Business and Professional Regulation Tobacco Settlement Trust Fund will consist of funds disbursed, by nonoperating transfer, from the Department of Banking and Finance Tobacco Settlement Clearing Trust Fund in amounts equal to the annual appropriations made from this trust fund. Any unencumbered balance in the trust fund at the end of any fiscal year and any encumbered balance remaining undisbursed on December 31 of the same calendar year will revert to the Department of Banking and Finance Tobacco Settlement Clearing Trust Fund. The Department of Business and Professional Regulation Tobacco Settlement Trust Fund will, unless terminated sooner, be terminated on July 1, 2003.

FL S 1966 -- Creates the Department of Children and Family Services Tobacco Settlement Trust Fund within that department. Funds to be credited to the Department of Children and Family Services Tobacco Settlement Trust Fund will consist of funds disbursed, by nonoperating transfer, from the Department of Banking and Finance Tobacco Settlement Clearing Trust Fund in amounts equal to the annual appropriations made from this trust fund. Any unencumbered balance in the trust fund at the end of any fiscal year and any encumbered balance remaining undisbursed on December 31 of the same calendar year will revert to the Department of Banking and Finance Tobacco Settlement Clearing Trust Fund. The Department of Children and Family Services Tobacco Settlement Trust Fund will, unless terminated sooner, be terminated on July 1, 2003.

FL S 1968 -- Creates the Department of Elderly Affairs Tobacco Settlement Trust Fund within that department. Money will be credited to the Fund from the Department of Banking and Finance Tobacco Settlement Clearing Trust Fund in amounts equal to the annual appropriations made from the trust fund. Money in the Fund will be used as appropriated for any of the purposes that are permitted or required by the tobacco settlement. Any unencumbered balance in the trust fund at the end of any fiscal year and any encumbered balance remaining undisbursed on December 31 of the same calendar year will revert to the

Department of Banking and Finance Tobacco Settlement Clearing Trust Fund. The Department of Elderly Affairs Tobacco Settlement Trust Fund will, unless terminated sooner, be terminated on July 1, 2003.

FL S 2500 -- Appropriations bill that distributes funds the state receives from the tobacco settlement. The money, appropriated from the numerous trust funds created with tobacco money, is appropriated for smoking cessation programs, health services, improved foster care services, Florida Healthy Kids, Medikids, Children's Medical Services Network, mental health programs, substance abuse treatment programs, dental programs, rehabilitation services, rural health, pharmaceutical assistance, and numerous other health care services.

Georgia

In the beginning of the year, Governor Roy Barnes (D) did not make any specific public proposals on how the state should spend its share of the national tobacco settlement except for general statements that the money should be used for health care. However, he has since sent a letter to legislative leaders that outlines his desire to set aside 33% of the state's share of the tobacco settlement for the state's tobacco farmers. He proposes spending the money in areas like economic assistance for the tobacco farmers and research for developing alternative crops. The rest of the money would go for health care programs. In addition, he has recently proposed using a third of the settlement funds for a rural development fund by selling $600 to $800 million in bonds in order to help attract food processors, that are leaving Florida, to the state and to expand the state's exports.

The Georgia Legislature, however, passed three bills dealing with the tobacco settlement that Governor Barnes signed before he sent out his letter. Senate Bill 241 (GA S 241) creates the Board of Community Health to assume duties from the Health Planning Agency, the Department of Medical Assistance, and the State Personnel Board (solely with respect to the state employee health benefit plan). The Board of Community Health will be partially funded with money the state receives from the national tobacco settlement. House Bill 872 creates the Georgia Tobacco Community Development Board and the Georgia Tobacco Community Development Board Overview Committee to determine an equitable allocation of private trust funds among tobacco growers and tobacco quota owners, and to identify, in general, other public and private funds for economic relief for the tobacco community in Georgia. House Bill 388 enacts the Model Statute.

Hawaii

Governor Benjamin Cayetano (D) proposed dividing the tobacco settlement funds between two trust funds: (1) a Tobacco Settlement Trust Fund to support anti-smoking initiatives, education and expanded children's health programs, and; (2) a Rainy Day Trust Fund for use in economic emergencies.

Hawaii's Legislature adjourned in early May and essentially passed a bill, Senate Bill 1034 (HI S 1034) that granted the Governor his wish. On July 7, 1999, Cayetano signed the bill into law. HI S 1034 creates the Hawaii Tobacco Settlement Special Fund in the state treasury, which will be comprised of all moneys the state receives from the national tobacco settlement and will be administered by the Department of Health. The Special Fund will be used for the purpose of receiving and appropriating the tobacco settlement money as follows: 40% will be appropriated into the Emergency and Budget Reserve Fund, 35% will be appropriated to the Department of Health, and 25% will be appropriated into the Hawaii Tobacco Prevention and Control Trust Fund. The Emergency and Budget Reserve Fund and the Hawaii Tobacco Prevention and Control Fund are also created in this act.

Expenditures from the Emergency and Budget Reserve Fund will be a temporary supplemental source of funding for Hawaii during times of emergency, economic downturn, or for unforeseen reduction in revenues. The Department of Health, immediately upon receipt of the 35% of the tobacco settlement money, will transfer up to 10% of the total money received for the CHIP program and expend the remainder of the money for health promotion and disease prevention programs, including, but not limited to, maternal and child health and child development programs, promotion of healthy lifestyles, and prevention oriented public health programs. The Hawaii Tobacco Prevention and Control Trust Fund is established as a separate fund of a nonprofit entity having a board of directors and qualifying under section 501(c)(3) of the IRS code. The Director of Health with the concurrence of the Governor, will select the entity based upon the proven record of accomplishment of the entity in administering a similar trust fund. The administration of the Prevention and Control Trust Fund will be under control of an Advisory Board, which will develop a strategic plan for tobacco prevention and control, including: developing and implementing effective and cost efficient programs, including health promotion and disease prevention; developing adequate standards and benchmarks by which measures of program success may be appropriately evaluated; and assessing the effectiveness of programs engaged in health promotion and disease prevention.

In addition to HI S 1034, the state also enacted HI H 1008, which enacts the Model Statute.

Idaho

In January of 1999, Governor Dirk Kempthorne (R) said he wanted the tobacco settlement money to be put in the Budget Stabilization Fund because he believed it was not "a sure thing" that the state would actually receive its money. In exchange, he will get $16 million in cash, from a law that requires the state to dump that amount into the account this year if state revenues grow by more than 4% or more, to balance the budget.

The Legislature agreed with Governor Kempthorne and passed Senate Bill 1002, which directed all tobacco settlement money to be deposited in the state's Budget Reserve Account and Budget Stabilization Fund. The governor signed the bill into law on February 8, 1999.

In addition to the above law, the House also adopted a resolution (HCR 16) that authorized the Legislative Council to appoint an interim committee to study the appropriate use of tobacco settlement funds and to hold public hearings. The committee will report its findings, recommendations and proposed legislation, if any, to the Second Regular Session of the 55th Idaho Legislature.

Illinois

While Governor George Ryan (R) has not publicly recommended ways to use the state's tobacco settlement money, Attorney General Jim Ryan proposed earmarking half of the tobacco settlement funds for new public health and children's initiatives. In addition, the State Comptroller proposed using the settlement funds for a tax rebate for more than 5 million taxpayers per year.

Cook County is arguing that it should receive more than 25% of the state's tobacco settlement funds and McHenry County is suing the state to gain a share of the settlement as well. State legislators are not pleased about the two counties' actions and it remains to be resolved as to how this will affect the amount of tobacco settlement money the state will have at its disposal.

Regardless of the threat by the counties, the Legislature has introduced several bills with proposals on ways to use the tobacco settlement money. The bills include proposals to

create a Tobacco Litigation Settlement Distribution Fund to be used for public health purposes (H 125), create another Settlement Distribution Fund, in which at least 90% of the unrestricted funds in a fiscal year must be used for providing health care services for persons that do not have health insurance (H 234), establish a Tobacco Settlement Recovery Fund, of which 50% of the money deposited will be appropriated for new or enhanced public health initiatives including preventative health programs for children, prevention and cessation of tobacco use, restricting juvenile access to tobacco, and public education on the dangers of tobacco use (H 1245), and establish a Tobacco Settlement Biomedical Research Fund and give money to eligible medical schools to support ongoing programs relating to tobacco-related illness research, create new programs relating to tobacco-related research, and to improve, equip, or construct laboratory space to be used in furtherance of tobacco-related illness research (H 1711).

Two bills have actually been enacted. One, IL S 1183, enacts the Model Statute. The other, IL SR 48, was adopted by the Legislature and it urges the Clinton Administration and Congress to recognize state interests and enact legislation that would prohibit the federal Department of health and Human Services from recouping the tobacco settlement funds as third-party recoveries under Medicaid law.

Indiana

Governor Frank O'Bannon (D) has supported a plan to allocate a portion of the initial and first year payments for the Children's Health Insurance Program, with the remainder going towards public health, including tobacco prevention and cessation, aid to tobacco farmers, and aid to low-income families. However, the governor did not have any legislators introduce legislation to enact this plan. The Senate Finance Chairman wants 75% of the funds to be put into a trust fund or endowment whose interest earnings will be spent on children's health programs and senior's health programs.

The Legislature adjourned in late April this year and, while enacting two bills dealing with the tobacco settlement, left decisions regarding the appropriation of the tobacco settlement funds largely for the next legislative session.

House Bill 1870 (IN H 1870) enacts the Model Statute. IN H 1001, an appropriations bill, creates the Tobacco Settlement Fund in the state treasury which will act as a repository for revenues the state receives from the national tobacco settlement. The Fund will be administered by the budget agency. Interest that accrues from the investment of the tobacco settlement revenues will be deposited in the Fund. Money in the Fund at the end of the fiscal year will not revert to the General Fund. The bill also appropriates a small amount of money from the fund for CHIP Assistance and CHIP Administration and for the Year 2000 Computer Contingency Fund.

Iowa

Governor Tom Vilsack (D) and Attorney General Tom Miller proposed spending $17 million of the state's tobacco settlement revenue for smoking prevention and cessation programs. Governor Vilsack also suggested spending a portion of the tobacco settlement money for treatment of adolescent substance abuse. Republican leaders wanted the majority of the state's tobacco settlement money to be devoted to health and human service programs, with a smaller percentage going to anti-smoking programs.

The 1999 legislative session adjourned with the Legislature acting on three tobacco settlement-related bills.

Two bills that were enacted include Senate Bill 482 and House Bill 760. IA S 482 enacts the Model Statute. IA H 760, an appropriations bill, establishes a task force to review the

methodologies and distribution mechanisms used to reimburse providers of medical assistance, state supplementary assistance, social services, and other services funded in the Department of Human Services' budget. Among other considerations, the task force is directed to study options for using the state's tobacco settlement money.

The other tobacco settlement-related bill was a concurrent resolution that was adopted by the Legislature. IA SCR 11 urges the U.S. Congress to take all necessary actions in order to prevent and resist any branch, department, agency, or division of the federal government from seeking to recoup any Medicaid funds related to the state tobacco settlement, or otherwise to claim any right to any portion of the funds paid to any state as a result of the tobacco settlement. It also urges the U.S. Congress to support HR 351 and S 346, which would prohibit federal recoupment efforts.

Kansas

Governor Bill Graves (R) proposed spending $14.6 million of the state's tobacco settlement money on new or expanded children's programs, including $1 million for smoking prevention grants and $4 million for juvenile delinquency prevention programs

Democratic legislative leaders want tobacco funds to be used for children's health programs only, not juvenile delinquency programs. Republican leaders set up the New Futures Task Force to develop recommendations on how the state should use the tobacco settlement money, but the task force has not released a public report.

In 1998, Senate Bill 424 was enacted which created the Children's Health Care Programs Fund. The law states that, of the monies received by the state from the tobacco settlement, 50 percent of such monies will be credited to this Fund. All monies credited to the Fund will be used for the purposes of providing additional funding for children's health care, services for children and tobacco use prevention and cessation programs. This law is now causing some rancor between the Legislature and the Governor because many legislators want to use 100 percent of the tobacco settlement funds for children's programs, not just 50 percent. There is also debate over how to appropriate the tobacco settlement money in the state budget bill.

In 1999, the Legislature enacted two bills that deal with the tobacco settlement. House Bill 2568 simply enacts the Model Statute. The major bill of the two, however, is House Bill 2558, which creates the Kansas Endowment for Youth Fund, the Children's Initiative Fund, and the Children's Initiatives Accountability Fund. The Kansas Endowment for Youth Fund will be housed in the state treasury as a trust fund that will be invested, managed and administered by the board of trustees of the Kansas Public Employees Retirement System. All of the money the state receives from the national tobacco settlement will be deposited in the state treasury and credited to the Kansas Endowment for Youth Fund. In addition, the act abolishes the Children's Health Care Programs Fund and directs the Director of Accounts and Reports to transfer all money credited to the Children's Health Care Programs Fund to the Kansas Endowment for Youth Fund. All money credited to the Kansas Endowment for Youth Fund, regardless of source, will be invested to provide an ongoing source of investment earnings available for periodic transfer to the Children's Initiative Fund. All money credited to the Children's Initiatives Fund will be used for the purposes of providing additional funding for programs, projects, improvements, services, and other purposes directly or indirectly beneficial to the physical and mental health, welfare, safety and overall well-being of children in Kansas as provided by appropriation or other acts of the Legislature. In allocating or appropriating money in the Children's Initiatives Fund, the Legislature will emphasize programs and services that are data-driven and outcomes-based and that are designed to prevent or stop children from being involved in or with tobacco, drugs, alcohol, juvenile delinquency or violence. The following funds will be transferred from the Kansas Endowment for Youth Fund: on July 1, 2000, or as soon thereafter as money

is available, the Director of Accounts and Reports will transfer $70.74 million to the State General Fund and $30 million to the Children's Initiatives Fund; On July 1, 2001, $40 million to the Children's Initiatives Fund and $10 million to the State General Fund; and on July 1, 2002, $45 million to the Children's Initiatives Fund. On July 1 of each fiscal year after 2002, the Director of Accounts and Reports will transfer an amount equal to 102.5% of the amount transferred from the Kansas Endowment for Youth Fund to the Children's Initiatives Fund during the immediately preceding fiscal year. The act directs the Kansas Children's Cabinet to advise the Governor and the Legislature regarding the uses of money credited to the Children's Initiatives Fund. In addition, the act also establishes the Children's Initiatives Accountability Fund in the state treasury. All money credited to the Accountability Fund will be used for the purposes of providing funding for assessment and evaluation of programs, projects, improvements, services, and other purposes for which money is allocated or appropriated from the Children's Initiatives Fund.

Kentucky

Kentucky does not have a legislative session in 1999. However, several bills were enacted in 1998 that dealt with the tobacco settlement. House Bill 321 created a tobacco settlement account in the state treasury to be credited with any funds received from a national tobacco settlement. The funds are not be expended until appropriated by the General Assembly. The General Assembly's highest priority for distributing any funds from the account will be for tobacco farmers and tobacco-impacted communities and health-related areas. Senate Bill 247 created the Tobacco Settlement Agreement Trust Fund, which will be credited any funds the state receives from the tobacco settlement, and the Agricultural Diversification and Development Fund, which will be partly fund by revenues from the Tobacco Settlement Agreement Trust Fund. In addition, House Resolution 7 and Senate Resolution 18 give authority to the General Assembly to approve disbursement of funding under any secondary agreement for addressing the economic concerns of tobacco farmers and communities.

The Tobacco Task Force held several public meetings in January and February of this year. Tobacco farmers were very vocal about using the state's tobacco settlement funds to help ease their economic losses related to the national tobacco settlement.

Governor Paul Patton (D) so far has not announced any specific proposals on how to spend the tobacco settlement money, nor has he given any indication that he will call a special session in 1999 to decide how to utilize the money. In general terms, the governor has discussed using some of the money for early childhood development programs and providing health insurance for the uninsured. In the meantime, Senator Richard Roeding (R) has proposed using tobacco settlement funds to provide health insurance for those who cannot afford it. Senate President Larry Saunders (D) and House Budget chairman Harry Moberly (D) believe the state should use the money on aid to tobacco farmers, public health programs, including smoking cessation programs, and an early childhood inititative. Senator Tim Shaughnessy (D) wants to appropriate 25% of the settlement money to establish a Commonwealth Medical Research Trust Fund for health research, especially cancer-related research.

Louisiana

In early 1999, Governor Mike Foster (R) propsed selling the state's share of the tobacco settlement, like a winning lottery ticket, and using the money to wipe out the state debt and free more than $250 million to use for teacher pay and health related needs. He later backed off this approach due to the fact that he is not sure how much money the state will actually receive because of the prospect of federal recoupment of some of the money.

Attorney General Richard Ieyoub said he favors using establishing a health care trust fund and giving out the money in grants for cancer research, anti-smoking programs targeted at children, and other health-related programs.

In the Legislature, there was no shortage of ideas on how to use the tobacco settlement money. In the 1999 legislative session, more than 20 bills were introduced, with a wide variety of proposals on how to appropriate the money. The bills included proposals to appropriate money to the LSU Medical Center for cancer research, fund elementary and secondary public schools, support smoking cessation programs, create trust funds, fund anti-smoking advertising, increase teacher salaries, provide grants for tuition assistance, provide health insurance for the uninsured, and allocate funds for firefighters insurance. However, all of the bills would first appropriate money to the Bond Security and Redemption Fund and to the Children's Health Insurance Program Support Fund, as required by legislation passed in 1998. In last year's legislative session, the Legislature passed and Governor Foster signed Senate Bill 78a. This bill requires monies received by the state as a result of the tobacco settlement to be credited to the Bond Security and Redemption Fund. Out of the funds remaining in the Bond Security and Redemption Fund after a sufficient amount is allocated from that fund to pay all obligations, the treasurer will deposit in and credit to the Children's Health Insurance Support Fund, an amount equal to the monies received from the tobacco settlement, not to exceed $10 million.

When the Legislature adjourned at the end of June, they passed House Bill 1007 (LA H 1007), which Governor Foster signed, which enacted the Model Statute. In addition, the Legislature also came up with a plan to allocate the settlement funds through two bills, LA H 640 and LA H 1547. Under the plan, the tobacco settlement funds will be directed towards two funds, the Millennium Trust and the Louisiana Fund. The Millennium Trust will receive 45% of the tobacco settlement funds in 2000-2001, 60% in 2001-2002, and 75% each year thereafter. The remaining funds each year will go into the Louisiana Fund. Only interest earnings can be spent from the Millennium Trust, and the money in the Trust can be transferred to three separate funds: the Health Excellence Fund, the Education Excellence Fund, and the TOPS Program. Both the principal and the interest can be spent from the Louisiana Fund, but the funds must be spent on health care and education, treating tobacco-related illnesses, and smoking cessation and tobacco control. This plan will be presented to the state's voters on October 23 as a constitutional amendment. If the plan is approved it goes into effect immediately; if not, the Legislature has to come up with a different plan.

The two bills also state that the Legislature, if it so desires (2/3 vote required) at a later date, can create a Millennium Leverage Fund which will act as a repository for the state's tobacco settlement revenue. The Leverage Fund would issue bonds backed by the tobacco settlement money and appropriate bond proceeds in the following fashion: 25% to the TOPS Fund, 25% to the Health Excellence Fund, 25% to the Education Excellence Fund, and 25% to the Louisiana Fund.

In addition to the above measures, the Legislature also adopted 6 resolutions that deal with the tobacco settlement. A summary of the resolutions is as follows:

LA HCR 101 -- Urges and requests the federal government not to attempt to recover any of the tobacco settlement money granted the state of Louisiana.

LA HCR 320 -- Urges and requests the Department of Health and Hospitals to implement an effective Medicaid hospice benefit and reimburse hospice organizations, and to use tobacco settlement proceeds to provide such hospice benefits, in order to provide care to terminally ill Medicaid recipients.

LA HCR 359 -- Resolution that creates the Tobacco Revenue Enhancement Task Force to study alternative methods by which to preserve and enhance tobacco proceeds for use by

future generations and, at the same time, provide a current stream of revenue to address present-day concerns of the citizens of this state. The commission will report its progress, findings, and recommendations to the Louisiana House of Representatives and Senate prior to the convening of the 2000 Regular Session of the Legislature

LA SCR 59 -- Memorializes the U.S. Congress to prohibit any and all activities, including excise taxes on tobacco products and recoveries of Medicaid costs for smoking-induced illnesses, that would result in reducing the amount of funds available to the states from any tobacco settlement.

LA SCR 115 -- Urges and requests the Department of Health and Hospitals to utilize a portion of monies which may be appropriated to the department from the monies the state receives from the tobacco settlement to conduct the appropriate research and study the high rate of lung cancer among black men residing in south Louisiana.

LA SR 45 -- Urges and requests the State Treasurer to prepare and present a full briefing to the Senate on his proposal for the best and most efficacious use of Louisiana's portion of the tobacco settlement. The briefing will take place on or before June 3, 1999.

Maine

Governor Angus King (I) stated that he wanted to use the state's tobacco settlement revenue to reduce taxes.

However, he did not come out with a specific proposal to reduce taxes and was open to other ideas on how to use the money. The Tobacco Prevention and Control Advisory Council recommended that at least 50 percent of the state's tobacco settlement funds should be used for tobacco prevention and control.

There were a small number of bills introduced in the 1999 legislative session that dealt with the tobacco settlement. The introduced bills included proposals to create a Tobacco Settlement Dedicated Fund and appropriate money for smoking cessation programs, expansion of the elderly low-cost drug program, health care coverage for unisured persons, and paying for tobacco-related health care costs (H 1154); create the Maine Single-Payor Health Care Plan (H 1436); create the Healthy Maine Program to provide health care coverage, Medicaid coverage and prescription drug coverage for adults 62 years of age and older, disabled persons, and children (S 586); and establish the Tobacco Prevention and Control Fund and the Health Care Fund for Maine Citizens, both equally funded with tobacco settlement money (S 769). However, none of the above mentioned bills were passed by the Legislature and sent to the Governor. Instead, the Legislature used the appropriations process to allocate the tobacco settlement money.

The main vehicle for the decision-making in regards to the tobacco settlement was House Bill 454. This appropriations bill enacts the Model Statute, creates the Fund for a Healthy Maine and the Trust Fund for a Healthy Maine, and appropriates the state's tobacco settlement dollars. The Fund for a Healthy Maine is established as an "other special revenue" fund and the State Controller will credit all money received by the state from the national tobacco settlement to the Fund. For the first five years the state receives payments from the tobacco settlement, the State Treasurer will report to the Legislature the amount that represents 90% of the total received and available for allocation. The remainder of the annual payments will be deposited in the Trust Fund for a Healthy Maine, which is created to earn income from investment of its allocation in order to provide resources to pay for disbursements from the Fund for a Healthy Maine if the source of the fund ceases. After the first five years, the State Treasurer will report to the Legislature the amount that is available for allocation equal to 90% of the sum of the amount expected to be available in the fund from all sources. The remaining funds must be held in a contingency reserve. Allocations from the Fund for a Healthy Maine are limited to the following health-related purposes:

smoking prevention and cessation (especially to reduce smoking by children); prenatal and young children's care including home visits and support for parents of children from birth to 6 years of age; child care for children up to 15 years of age, including after school care; health care for children and adults; prescription drugs for adults who are elderly or disabled; dental and oral health care to low-income persons; substance abuse prevention and treatment; and comprehensive school health programs, including school-based health centers. When allocations are made to direct services, services to lower income consumers must have priority over services to higher income consumers. In addition, the act authorizes the State Controller to advance to the Bureau of Health Other Special Revenue Fund Account in the Department of Human Services $3.5 million from the General Fund unappropriated surplus on July 1, 1999 for the purpose of continuing the Tobacco Prevention and Control Initiative, which must be returned to the General Fund from the Fund for a Healthy Maine no later than June 30, 2000. In all, the bill appropriates over $18 million from the Fund for a Healthy Maine for the types of programs listed above.

Maryland

Governor Parris Glendening (D) proposed creating a special reserve fund to deposit the first $54 million the state receives from the tobacco settlement and to use this money for health and education programs. He wants to target the spending on health care, smoking prevention and cessation programs, and helping tobacco farmers transition to other crops. Specifically, the governor proposes spending $300 million on tobacco prevention and cessation programs, $83.5 million on crop conversion, $100 million on addiction research, and $21 million for tobacco control. House Minority Whip Robert Flanagan (R) wanted to use some of the state's tobacco settlement funds to pay down the state debt.

In 1998, the Maryland Legislature passed Senate Bill 125. Signed by the governor and enacted into law, the bill states that, for fiscal year 1999, no budget amendment may be processed to appropriate net proceeds resulting from any judgment or settlement arising out of litigation between the state and the tobacco industry. Such funds may only be appropriated through the Budget Bill as approved by the General Assembly.

In the 1999 legislative session, 12 bills were introduced that deal with the tobacco settlement and four were enacted into law. The four enacted laws are:

MD H 751 -- Creates the Cigarette Restitution Fund. The Fund is a continuous, nonlapsing fund which will be comprised of revenue the state receives from the national tobacco settlement. The act directs the Legislative Policy Committee to prepare and submit to the governor a budget recommendation that includes proposed expenditures from the Fund for reducing the use of tobacco products by minors, finding alternative crop uses for agricultural land now used for growing tobacco, using public education campaigns to decrease tobacco use, funding smoking cessation programs, enforcing state laws regarding tobacco use, supporting the Maryland Health Care Foundation under title XX, financing primary health care in rural areas of the state, and preventing, treating, and researching cancer and tobacco product use.

MD S 334 -- Creates the Cigarette Restitution Fund, which will be comprised of revenues the state receives from the national tobacco settlement. Disbursements from the Fund will be used solely to supplement, and not to supplant, funds otherwise available for programs receiving the funds. Expenditures from the Fund will be made for the following purposes: reduction of tobacco use by minors; implementation of the Southern Maryland Strategy-Action Plan for Agriculture adopted by the Tri-County Council for Southern Maryland with an emphasis on alternative crop uses for agricultural land now used for growing tobacco; public and school education campaigns to decrease tobacco use; smoking cessation programs; enforcing laws regarding tobacco sales; primary health care in rural

areas of the state and areas targeted by tobacco manufacturers in marketing and promoting cigarette and tobacco products; prevention, treatment, and research concerning cancer, heart disease, lung disease, tobacco product use, and tobacco control; substance abuse treatment and prevention programs; and any other public purpose.

MD S 305 -- Enacts the Model Statute.

MD SJR 1 -- Urges Congress and President Clinton to support and sign legislation to prohibit the federal government from recouping any portion of state tobacco settlement funds.

In addition, Governor Glendening issued Executive Order No. 19. This Order establishes three task forces to oversee the distribution of revenues from the tobacco settlement for smoking cessation, health and agricultural initiatives. These task forces are: (1) the Task Force to End Smoking in Maryland; (2) the Task Force to Conquer Cancer in Maryland; and, (3) the Task Force on Tobacco Crop Conversion in Maryland. The task forces will provide recommendations to the Governor on or before October 31, 1999.

Massachusetts

Gov. Paul Cellucci (R) proposes depositing all of the $7.6 billion tobacco settlement into a trust fund dedicated solely to expanding health care programs for children, the elderly and low-income individuals.

Attorney General Tom Reilly wants the tobacco settlement funds to go solely to anti-smoking campaigns and for treatment of smoking-related illnesses.

House Speaker Tom Finneran (D) suggests depositing the tobacco settlement funds in a trust fund. The interest revenue from the trust fund can be used to pay for health care and tobacco prevention programs.

At this point in time the Legislature is still debating how the state should utilize the state's tobacco settlement revenue. While bills have been introduced, none have passed the House or Senate. The introduced bills include the following proposals: allocating 20 percent of the tobacco settlement funds to the Massachusetts Tobacco Control Program and 80 percent to the Children's and Senior's Health Care Assistance Fund (H 1945); allocating no less than $50 million for a school nursing services program (H 3445); establishing a Tobacco Settlement Trust Fund, to act as a repository for the tobacco settlement funds, and a special commission to decide how the money should be spent to meet the health care needs of the state's citizens (H 3648); making tobacco settlement funds available for nonprofit organizations to conduct abstinence education programs (H 3855); establishing the Health Protection and Tobacco Control Commission to determine ways to use the tobacco settlement funds to combat tobacco use (S 493); using tobacco settlement funds to create a task force to develop a plan for a coverage pool to provide catastrophic drug coverage for Medicare patients (S 1334); providing a tax rebate for the cost of attempting to quit the use of tobacco products (S 1552); and directing all tobacco settlement funds to be appropriated into the Commonwealth Tax Reduction Fund to increase the personal exemption (S 1635).

A detailed Senate plan for the tobacco settlement money was released in June. The senate plan calls for spending the tobacco settlement dollars as follows: $40 million for the creation of a catastrophic prescription drug program for seniors; $33.5 million to increase spending for the Tobacco Control Program, including $6 million for programs aimed at minorities; $30 million to double the Senior Prescription Drug Program; $10 million for Medicaid coverage for HIV-positive individuals; $5 million for community health centers; and $1.5 million for medication for low-income children.

It now looks like the state will decide how to spend the tobacco settlement money through the budget process.

Michigan

Governor John Engler (R) proposes using revenues from the tobacco settlement to fund a new Michigan Merit Award Trust Fund, which would award Michigan high school graduates with a $2,500 scholarship to be used at a Michigan school of their choice.

House Democrats propose splitting the tobacco settlement in three parts: health programs, the governor's Michigan Merit Awards program and Hope scholarships, and public school programs. The health programs they suggest funding include smoking cessation, providing financial assistance to senior citizens who need prescription drugs, and improving the general health of the state's citizens. The Hope scholarship program would offer free community college tuition to high school graduates who attend at least 90 percent of classes through grades 9-12.

On June 10, the Legislature and the Governor agreed to enact legislation that allocates Michigan's share of the tobacco settlement. Over the next 25 years, 75% of the tobacco settlement dollars will go to the Merit Scholarship Program. 14% of the first two payments (about $53 million of an expected $384 payment) will be allocated as follows: $30 million for an expansion of the Senior Prescription Drug Program; $5 million for an increase in the personal needs allowance from $30 to $60 per month for nursing home residents; $5 million for respite care for elders through local Area Agencies on Aging; and a one-time allocation of $10 million for long-term care innovation grants. An additional $75 million will be spent on education and job training programs and $50 million will go to support a "Life Sciences Corridor," a consortium of 4 medical centers, that will study the aging process.

Minnesota

Governor Jesse Ventura (Reform) wanted to set up four endowment funds that protect the principal of the state's tobacco settlement money. The interest earnings would be spent to help families reduce their dependence on government, support public health networks, support University of Minnesota and Mayo Clinic programs, and to support medical research at teaching hospitals and clinics. House Republicans wanted to use the money on tax cuts instead of the governor's endowments.

House Speaker Steve Sviggum (R) suggested allocating the majority of the state's tobacco settlement money for tax relief, with the initial $1.3 billion used for a direct tax rebate, and the remaining payments replacing general taxes that are spent on MinnesotaCare.

Senate Majority Leader Roger Moe (DFL) proposed using tobacco settlement dollars on youth smoking prevention programs, early childhood development programs, and medical education and research.

There was plenty of debate in the Legislature over the governor's proposals and the Republican's wish to use the settlement on tax cuts. At the end of the legislative session, after an all-night negotiation session, a bill was passed that directs $968 million in "one-time" payments to the following funds: 40% ($388 million) into a statewide tobacco prevention fund; 21% ($203 million into a community public health fund; and 39% ($377 million) into a medical education and research fund. This bill (MN S 2225) joined an earlier bill (MN S 757) that was signed by Governor Ventura that urged Congress to prohibit federal recoupment of any of the state's tobacco settlement money.

Mississippi

Mississippi adjourned their 1999 legislative session in early April. The tobacco settlement was a hot topic during the legislative session as more than 15 bills were introduced with proposals as to how to spend the tobacco settlement money. However, only one bill was enacted into law. Governor Kirk Fordice signed House Bill 519, cited as the Mississippi

Health Care Trust Fund Act of 1999. The law creates the Health Care Trust Fund, into which will be deposited $280 million from revenues that are received by the state as a result of the tobacco lawsuit. Monies in the fund that are subject to expenditure will be expended exclusively for health issues. The principal of the Health Care Trust Fund will remain inviolate and will never be expended, except as provided in the act. The Legislature may appropriate from the Trust Fund such sums that are necessary to recoup any funds lost to federal recoupment, reduction in Medicaid funds, or mandated benefits. The law also creates the Health Care Expendable Fund in the state treasury, into which will be transferred from the Health Care Trust Fund the following sums: in FY 2000, $50 million; in FY 2001, $55 million; in FY 2002, $60.5 million; in FY 2003, $66.55 million; and in FY 2004 and each subsequent fiscal year, a sum equal to the average annual amount of the income from the investment of the funds in the Health Care Trust Fund since July 1, 1999. In any fiscal year in which interest and dividends from the investment of the funds in the Health Care Trust Fund are not sufficient to fund the full amount of the annual transfer into the health Care Expendable Fund, the state treasurer will transfer from tobacco settlement installment payments an amount that is sufficient to fully fund the amount of the annual transfer.

H 519 essentially merged the wishes of Governor Fordice and members of the Legislature. Early in the year, Governor Fordice stated that he wanted to require the money received from the tobacco settlement be put into the state treasury to be distributed and appropriated through the normal legislative process. He did not want any of the money from the settlement to go to lawyers. Many legislatures not only wanted a trust fund, but they also wanted the interest to be used for health care programs.

The second bill enacted into law, MS H 1616, is an appropriations bill that allocates $11.4 million from the Health Care Expendable Fund, created in MS H 519, to defray the expenses of the state Board of Health for the fiscal year beginning July 1, 1999, and ending June 30, 2000, in the following manner: $1.4 million to fund the Maternal and Child Health Care Program; $4 million for the Mississippi Qualified Health Center Grant Program; and $6 million for the trauma care system. In addition, the bill appropriates $8 million to the Department of Health out of any money deposited in the state treasury from the Mississippi Tobacco Pilot Program as authorized in the state tobacco settlement.

Missouri

In early 1999, Governor Mel Carnahan (D) stated that he wanted money from the national tobacco settlement to be spent for health programs and educating children about the effects of smoking. He also considered giving some of the money back to Missouri taxpayers and earmarking part of the settlement funds for early-childhood education. Until the state is assured of the money, however, he suggests the money from the tobacco settlement be put into a Tobacco Settlement Trust Fund to preserve the funds for future investments.

Many of the legislators in the state concured with the governor's concern about actually receiving the tobacco settlement payments and most liked the idea of setting up a trust fund to receive the money now and decide what to do with it later. However, the only tobacco settlement-related bill that was enacted this year was House Bill 814, which enacts the Model Statute. The concern about receiving all of the money is obvious in the following summaries of bills that passed either the House or Senate but were not enacted:

H 430 (Passed House) -- Creates the Missouri Tobacco Settlement Trust Fund. The state treasurer will deposit all tobacco monies received from the settlement and use it for anti-smoking education and health care.

H 648 (Passed House) -- Creates the Missouri Tobacco Settlement Trust Fund. Directs the state treasurer to deposit all money received by the state from the tobacco settlement, for costs and future costs in connection with the Medicaid program, into this Trust Fund. The

money deposited in the Fund will be used for anti-smoking education and health care for persons suffering from diseases caused by tobacco use.

S 288 (Passed Senate) -- Creates the Missouri Settlement Trust Fund. All proceeds from any tobacco settlement will be deposited into the trust fund.

A significant reason that the Missouri legislators are cautious is due to state's Hancock Amendment, which requires any excess revenue that grows significantly faster than the income of the state's residents to be refunded to income tax payors. If the Legislature determines, then, that the tobacco settlement dollars are state revenues, then the Legislature will probably have to return the money to the taxpayors. However, if the tobacco settlement payments are considered reimbursements, then the state may be more susceptible to federal recoupment or lawsuits from the state's cities or towns for a share of the settlement.

Montana

Governor Marc Racicot (R) proposes dividing the state's tobacco settlement money between the state's general fund, health coverage for poor children and uninsurable adults, and tobacco prevention and education programs.

The governor's proposal, introduced as House Bill 131 by Representative Betty Lou Kasten (R), met with mixed reviews in the Legislature. Plenty of amendments were offered to the bill, both in committee and on the House floor, and the bill is presently inactive. The amendment fight centered around using the funds for tax relief or children's health insurance and tobacco cessation programs. Other bills stalled in the legislative process as well, including House Bill 240 (Passed House - Tabled in Senate) which authorized the creation of a tobacco settlement trust fund account and said the funds may be used only to provide refunds to employers providing health care benefits.

Two bills that were enacted, however, are Senate Bill 359, which enacts the Model Statute, and House Bill 536, which appropriates $2 million from revenues the state will receive from the national tobacco settlement to the Montana Comprehensive Health Association for each of the fiscal years 2000 and 2001. The association may use the appropriated funds only if the amount of the annual assessment collected by the association is insufficient to meet incurred or estimated claims expenses of the association plan, the association portability plan, and the operating and administrative expenses of the association. The Legislature also adopted a bill (SJR 12) that urged Congress to enact legislation to prevent federal recoupment of the state's tobacco settlement money.

In addition, the Legislature also allocated funds from the tobacco settlement through the budget process, specifically in MT H 2, the state's appropriations act. In H 2, the Legislature decided to spend approximately $18.6 million on health programs, including $8 million for the state's CHIP program; $7 million for tobacco prevention and smoking cessation and education programs; $2 million for the Montana Comprehensive Health Association for a health insurance program for the uninsured; $1.6 million for a new youth boot camp for high school drop-outs to be run by the state National Guard; $20 million for the General Fund for day-to-day government operations; and $28.4 million for a reserve account that cannot be spent during the next 2 years.

Nebraska

In 1998, the Nebraska Legislature passed L 1070, which created the Nebraska Health Care Trust Fund. The Fund will include revenue received from the national tobacco settlement. The interest on the revenue will be transferred to the Excellence in Health Care Trust Fund to be used for grants or loan guarantees. The act directs the administrator of the trust fund to transfer money in the fund in the following manner: the first $40 million placed in the fund to

the Nursing Facility Conversion Cash Fund; the next $25 million to the Children's Health Insurance Cash Fund; and, beginning January 15, 1999, transfer only the investment income accruing on the money in the Health Care Trust Fund in excess of the first $65 million placed in the fund to the Excellence in Health Care Trust Fund. If there is an unanticipated reduction if federal Medicaid funds pursuant to the generation of revenue from governmental nursing facilities, the Health Care Trust Fund money can be used for Medicaid expenses where the unanticipated reduction occurred.

In 1999, Nebraska enacted L 324 which, in addition to amending the Nebraska Health Care Trust Fund Act of 1998 by changing references of "interest" to "investment income," creates the Tobacco Enforcement Fund. Any money received by the state from the State Enforcement Fund established as part of the Master Settlement Agreement will be deposited into the Tobacco Enforcement Fund. The fund will be used by the Attorney General to enforce the Master Settlement Agreement and to investigate and litigate potential violations of state tobacco laws. The Attorney General may contract with the Nebraska State Patrol and local law enforcement agencies to assist with the investigation. The contractual costs may be paid from the fund. Any money in the fund available for investment will be invested by the state investment officer pursuant to the Nebraska Capital Expansion Act and the Nebraska State Funds Investment Act. Another bill signed by the governor, L 574, enacts the Model Statute.

Nevada

Governor Kenny Guinn (R) proposed spending half of the tobacco settlement money each year on a scholarship program for Nevada high school students who graduate with a B or better in core subjects like math, English and science. Students would get $2,500 a year under the Millennium Scholarship plan to attend UNLV or the University of Nevada, Reno or $1,250 a year to attend a community college. Attorney General Frankie Sue Del Papa urged state lawmakers not to spend money the state will receive from the national tobacco settlement on any program until the state actually receives the payments. She also urged the Legislature to spend the tobacco settlement money, once the state receives the funds, on public health programs. The Attorney General does not think half of the tobacco settlement money should be spent on Millennium Scholarships but acknowledges that the Legislature has the authority to spend the fund as it pleases.

Assembly Democrats proposed allocating 25 percent of the state's tobacco settlement money to university and community college scholarships, directed to middle and lower income families. In addition, 65 percent of the tobacco settlement money would be used for improving public health care, while the remaining 10 percent would be dedicated to a public trust fund for public health projects.

The Legislature ended up passing three bills relating to the tobacco settlement that were signed by Governor Guinn and enacted into law. The first, NV A 667, simply enacts the Model Statute. The second, NV A 474, creates several trust funds to be comprised with money from the tobacco settlement and allocates the tobacco settlement money. The newly enacted law creates the Fund for a Healthy Nevada in the state treasury, in which the state treasurer will deposit 50% of all money the state receives from the tobacco settlement. The interest and income earned on the money in the fund must be credited to the Fund, and money in the fund remaining at the end of the fiscal year stays in the Fund and does not revert to the General Fund. The money in the Fund for a Healthy Nevada may only be expended by an allocation made by the Task Force for the Fund for a Healthy Nevada, also created in this act. The money expended may not be used to supplant existing methods of funding that are available to public agencies. The Task Force is directed to reserve the following amounts of money for the following purposes: no more than 30% for direct

expenditures for prescription drugs and pharmaceutical services for senior citizens; no more than 30% for allocation by the Aging Services Division of the department in the form of grants for existing or new programs to assist senior citizens with independent living; no more than 20% for programs that prevent, reduce, or treat the use of tobacco and the consequences of the use of tobacco; and no more than 20% for programs that improve health services for children and for persons with disabilities.

NV A 474 also creates the Trust Fund for Public Health in the state treasury, into which the state treasurer will deposit 10% of all monies the state receives from the tobacco settlement. The interest and income earned on the money in the Trust Fund for Public health is appropriated to the board of trustees of the trust fund, also created in this act, and must be credited to the fund and accounted for separately. Only the interest and income earned on the money in the trust fund may be expended. Such expenditures may only be made for grants for the promotion of public health, public health research, and provision of direct health care services to children and senior citizens.

In addition to the trust funds, the act also appropriates the following sums of money:

- $2 million to public broadcasting stations KNPB and KLVX to carry out the conversion to digital television required by Federal Communications Commission DTV Standard, MM Docket No. 87-268. As a condition to accepting this money, the television stations must broadcast a public service announcement pertaining to the hazards associated with using tobacco at least 8 times each day for 10 consecutive years, for a total of 30,000 announcement over that period, and dedicate at least one or more of their multiple digital channels to instructional television, telecourses, adult learning services and courses provided in conjunction with the University and Community College System of Nevada.
- $5 million to the University of Nevada School of Medicine for capitol improvements required to establish a program in Las Vegas that is designed to provide health care services to persons for whom health care is not readily accessible, including elderly persons, persons who live in rural parts of the state, the culturally disadvantaged, and persons at risk for contracting certain diseases.
- $5 million for the Rehabilitation Division of the Department of Employment, Training and Rehabilitation for disbursement to Accessible Space, Inc., to construct an accessible housing and supportive services complex in Clark County for disabled persons.
- $1 million to the Office of Rural Health of the University of Nevada School of Medicine for emergency medical services provided in counties whose populations are less than 100,000, the improvement of technology used for billing by rural hospitals, and the development of systems to provide health care services in counties with populations of less than 100,000 by the use of telemedicine and other electronic means.

The third law, NV S 496, sets aside tobacco settlement money for the Millennium Scholarship Trust Fund. The law directs the state treasurer to deposit 40% of the money the state receives from the tobacco settlement into the Millennium Scholarship Trust Fund. The money in this fund will then be used to provide scholarships to Nevada students who have been residents of the state for at least 2 years, have graduated from a Nevada high school, and have maintained at least a 3.0 grade-point average. The scholarships can be used at state community colleges or universities.

New Hampshire

House Speaker Donna Sytek (R) proposed using $43 million from the state's tobacco settlement revenue for education funding. While it doesn't reach the $43 million threshold, House Bill 112 was passed by the Legislature and signed by Governor Jeanne Shaheen (D) into law. NH H 112 establishes an education trust fund in the state treasury to distribute adequate education grants to municipalities' school districts. The act calls for an annual deposit of $20 million into the trust fund from the revenue the state receives from the tobacco settlement.

Other than H 112, the Legislature adopted SR 2, which urges Congress to prohibit the federal government from recouping the state's tobacco settlement dollars, and the Senate passed S 168, which enacts the Model Statute.

New Jersey

Governor Christine Todd Whitman (R) expressed a desire to use the tobacco settlement money for better health care for children in cities, especially prenatal and infant survival programs, mental health services for prisoners, assistance to elderly residents to stay in their communities, and to help pay increased costs of state workers' health benefits. She also called for more drug treatment programs for adolescents, and announced a $19 million anti-smoking campaign funded by the first $93 million installment.

The Legislature has put forth many ideas on how the state should use its tobacco settlement funds. More than 20 bills have been introduced but only three have passed either the Assembly or Senate that deal with the tobacco settlement. Assembly Bill 2929, which passed both branches of the Legislature and was signed by Governor Whitman into law, enacts the Model Statute. NJ SCR 107 was adopted by the Legislature and memorializes Congress to pass legislation which would ensure that the federal government will not seek to recoup any money recovered by the states from the tobacco companies as a result of the national tobacco settlement or individual state settlements.

The third bill, which was also enacted into law, is NJ S 3000, the budget bill for fiscal year 2000. NJ S 3000 creates the Tobacco Settlement Fund as a separate non-lapsing fund in the Department of the Treasury, which will act as a repository for the payments the state will receive from the national tobacco settlement. The act allocates $92.8 million from the Tobacco Settlement Fund for such areas as mental health services, anti-tobacco advertising, smoking cessation programs, cancer screening programs, long-term care services, state employee health benefits, pharmaceutical assistance for the elderly, primary care services for the indigent, substance abuse treatment initiatives, and payments to municipalities for the cost of General Assistance. The dollar breakdown is as follows:

- Department of Corrections
- Enhanced mental health services - $9,695,000
- Department of Health and Senior Services
- Youth anti-tobacco media campaign - $7262,000
- Smoking cessation programs for addicted youth and adults - $2,600,000
- Research, surveillance, evaluation and assistance for anti-smoking programs - $1,700,000
- School-based programs for prevention of tobacco use - $2,200,000
- Community-based tobacco control programs - $4,800,000
- Cancer screening-early detection and education program - $2,700,000
- Identification system for children's health and disabilities - $900,000
- Worker and Community Right to Know - $630,000
- Evaluation of human exposure to hazardous wastes - $200,000

- Resident Satisfaction System – long-term care - $155,000
- Grants for primary care services – Dover Free Clinic - $225,000
- Grants for ElderCare initiatives - $10,337,000
- Grants for Pharmaceutical Assistance to the Aged - $8,700,000
- Department of Human Services
- Substance abuse treatment initiatives (General Assistance) - $3,000,000
- Payments to municipalities for the cost of General Assistance - $1,283,000
- Inter-Departmental State Employee's Health Benefits - $36,421,000

New Mexico

Governor Gary Johnson (R) did not release a specific plan for how he wanted the state to use its tobacco settlement money.

House Speaker Raymond Sanchez (D) said he wanted the state's tobacco settlement funds to go into a permanent trust fund which would generate interest for health care and education programs.

While several measures were introduced in the 1999 legislative session to appropriate funds from the tobacco settlement, only one bill was passed and enacted into law. House Bill 501 creates the Tobacco Settlement Permanent Trust Fund, which will consist of money received from the national tobacco settlement, and the Tobacco Settlement Income Fund, which will consist of contributions from the Permanent Trust Fund. Money in the Income Fund may be appropriated for health and educational purposes, including public school programs, including extracurricular activities, any health care disease prevention program, basic and applied research conducted by higher educational institutions addressing the impact of smoking, and public health programs and needs. The law also creates the Tobacco Settlement Committee to recommend ways to use the tobacco settlement money.

House Bill 611, which enacts the Model Statute, was also signed into law.

New York

Gov. George Pataki (R) proposes using New York's tobacco settlement money over the next 5 years to reduce the state's long-term debt and pay for health care initiatives. Pataki suggests 75% should go to trimming the debt and 25% to health care. This is in contrast to the Senate Democratic Task Force, which recommends using 75% of the state's tobacco settlement money on health care. In addition, Assembly Speaker Sheldon Silver (D) favors spending the settlement money mostly on health care and Senate Majority Leader Joseph Bruno (R) wants some of the tobacco settlement money to help fund tax cuts.

Earlier in the year, New York City appealed a court order that divided New York State's tobacco settlement money as follows: 51.2% to State government; 26.6% to New York City; and 22.2% to the remaining 57 counties in the state. New York City argued that it should get a greater share of the settlement. New York City Mayor Rudy Giuliani (R) stated that he wanted to use the settlement money to issue bonds for school rehabilitation and construction. However, on July 15, a New York appellate court in Albany ruled that the state's distribution of its share of the national tobacco settlement is reasonable and that New York City is not entitled to a larger share than the original allocation. New York City decided not to appeal this decision.

In the Legislature, there is still debate on how the state should use its share of the tobacco settlement. Many legislators want to spend more money on health care than Governor Pataki is proposing. As a result, only five bills have passed the Assembly or Senate. These five bills include:

NY 8828 (Passed Assembly) -- States that the total amount of funds to be allocated and distributed for uncompensated care to eligible school-based health centers for each annual grant period commencing January 1, 2000, will be limited to $7 million from any revenues received by the state from the national tobacco settlement.

NY A 8851 (Passed Assembly and Senate) -- Enacts the Model Statute.

NY A 8852 (Passed Assembly) -- Creates the New York Tobacco Use Prevention and Control Account as an account in the General Fund which will be administered jointly by the State Comptroller and the Commissioner of Taxation and Finance. The Account will consist of amounts appropriated from revenues the state receives from the tobacco settlement and part of the amount the state collects from the tobacco tax. Money in the Account may be expended for expenses of the New York Tobacco Prevention and Control Foundation in order to fulfill the public purpose of reducing the health and economic consequences of tobacco use by undertaking and promoting programs and activities to prevent tobacco use and reduce tobacco use in the state as rapidly as possible. Money appropriated will not supplant existing appropriations. The New York Tobacco Use Prevention and Control Foundation is created as a nonprofit corporation.

NY S 5 (Passed Senate) -- Directs no less than 25% of the money the state receives from the national tobacco settlement to be deposited in the Debt Reduction Reserve Fund.

NY S 5835 (Passed Senate) -- Amends the state finance law by creating the New York State Twenty-First Century Trust. The trust will be established as a special fund and will be in the sole custody of the State Comptroller. The funds in the Twenty-First Century Trust will consist of all monies the state receives from the national tobacco settlement and any other monies appropriated, credited or transferred thereto pursuant to law.

North Carolina

Attorney General Mike Easely filed a consent decree containing a plan for half of the state's $4.6 billion tobacco settlement allotment to help communities that are economically dependent on tobacco growing. The remainder would go towards public health and anti-smoking programs. The plan has the backing of Gov. Jim Hunt (D).

The debate over North Carolina's use of its tobacco settlement was very animated. The fight basically pitted the state's farmers against health care advocates, with the farmers winning the lions share of the settlement. Public meetings over how to spend the money drew hundreds of doctors, health care advocates, and farmers. Health care advocates urged the Legislature to split the state's tobacco settlement funds by giving 50 percent to health care and 50 percent to tobacco farmers. The farmers ended up garnering 75 percent of the funds with the remaining 25 percent allocated to health care programs.

The bill the Legislature passed splitting the tobacco settlement money between farmers and health care is Senate Bill 6. Signed by Governor Hunt, the newly enacted law approves the creation of the nonprofit corporation by the Attorney General, pursuant to the Consent Decree and Final Judgment, for the public charitable purposes of providing economic impact assistance to economically affected or tobacco dependent regions of North Carolina. The act also allocates funds from the national tobacco settlement as follows: 50% to the nonprofit corporation as provided by the Consent Decree; 25% to a trust fund to be established by the General Assembly for the benefit of tobacco producers, tobacco allotment holders, and persons engaged in tobacco-related business; and 25% to a trust fund to be established by the General Assembly for the benefit of health.

NC H 74, also enacted in 1999, creates a non-profit corporation, as required by the Consent Decree, for the purpose of receipt and distribution of funds allocated to the state from the national tobacco settlement. The corporation will distribute the money in the following manner: $50 million to the Department of Agriculture for an Emergency Revolving

Loan Fund for Tobacco Farmers; $25 million to the Department of Agriculture for marketing support for farm products including funding for the operation of co-ops; $75 million to the Community College System for financial assistance and Employment Security retraining for displaced tobacco workers; $50 million to the University of North Carolina for research on alternative crops and/or supplemental farm income; and $300 million to the Department of Commerce for industrial or other job recruitment into tobacco dependent regions.

NC S 915 enacted the Model Statute.

In addition, in 1998, House Bill 1248 was enacted into law. This law created the Settlement Reserve Fund as a restricted reserve in the General Fund, into which will be deposited revenue received by the state from the tobacco settlement. The law also states the intention of the General Assembly to enact appropriate tax relief for financial assistance payments that may later be enacted by Congress for tobacco farmers and for others who depend on tobacco for their livelihoods.

North Dakota

In the beginning of 1999, Governor Ed Schafer (D) wanted to devote tobacco settlement funds as follows: 10% to public health programs, including initiatives on diabetes, drug and alcohol use, and tobacco prevention and cessation; 45% to the Common Schools Trust Fund to give educators and law enforcement the tools to keep tobacco out of schools; and 45% returned to the taxpayers through property tax rebates.

Senate Democrats proposed spending 10% of the state's tobacco settlement funds on health care and 90% to create a health care trust fund and House Democrats wanted to spend all the funds on health care and education.

Attorney General Heidi Heitkamp urged the Legislature to use the tobacco settlement funds for adult tobacco prevention and discouraging youth tobacco use.

In the 1999 legislative session, less than 10 bills were introduced that dealt with the tobacco settlement legislation. The Legislature adopted SCR 4008, which urged Congress to prohibit the federal government from recouping state tobacco settlement funds, and the state enacted H 1153, which enacts the Model Statute. In addition to H 1153, the state also enacted the following bills that created trust funds and appropriated tobacco settlement money for flood and water control, schools, and health care programs (on a ratio of 45% for water projects, 45% for schools, and 10% for health care):

ND H 1475 -- Creates a Tobacco Settlement Trust Fund in which all monies from the tobacco settlement will be deposited. It also says that the money can only be appropriated to a health education trust to prevent or reduce tobacco usage, the common schools trust fund to become part of the principal of that fund, and the resources fund to be used to address the long-term water development and management needs of the state.

ND S 2188 -- States that money received by the state from the national tobacco settlement, and any earnings on that money, must be deposited in the Water Development Trust Fund in the state treasury for use in paying bonds issued for statewide water development goals and for other water projects as provided in House Bill 1475.

Ohio

Governor Bob Taft (R) wants the Controlling Board to create a trust fund for the money Ohio will receive from the tobacco settlement. Taft wants to appoint a task force of legislators, Attorney General Betty Montgomery and members of his administration to decide how to spend the money. The Tobacco Task Force was appointed on March 15, 1999 and is chaired by State Budget Director Tom Johnson.

House Speaker Jo Ann Davidson proposes that some of the tobacco settlement funds be used for anti-smoking programs.

Senate Democrats propose putting one-third of the tobacco settlement into a trust fund, with interest from the principal used for smoking-prevention programs. The rest of the settlement money would be used for financial incentives for doctors to work in underserved areas, medical scholarships for minorities, aid to help tobacco farmers convert to other crops and repairing Ohio schools.

At this point in time, few pieces of legislation have been introduced that deal with the tobacco settlement. The Legislature seems to be waiting to see what the Tobacco Task Force recommends. One piece of legislation that was enacted this year, OH H 283, an appropriations bill, states that all investment on money deposited in the Tobacco Master Settlement Agreement Fund, which was created by the Controlling Board on March 15, will be credited to the Tobacco Master Settlement Agreement Fund. On July 1, 1999, or as soon thereafter as possible, theDirector of Budget and Management will transfer the investment earnings on the Agreement Fund for fiscal year 1999, which were credited to the General Revenue Fund, from the General Revenue Fund to the Agreement Fund.

Oklahoma

The Governor's Task Force on Tobacco and Youth recommends that the Legislature appropriate $54.5 million of the state's tobacco settlement annually for tobacco reduction programs. Governor Frank Keating (R), however, wants the state's tobacco settlement to be spent on common, vo-tech, and higher education.

State Senators Ben Robinson, Ben Brown, Bernest Cain, and Angela Monson want to deposit half of the tobacco settlement money into a trust fund and use the rest for before- and after-school care, early childhood education, tobacco education and prevention, teen counseling and violence prevention, and expanded health care for the elderly, disabled, and uninsured.

The Legislature adjourned its regular session without taking any action involving the substantive use of the state's tobacco settlement money. The only tobacco settlement-related bill that was signed into law was House Bill 1601, which enacts the Model Statute.

Two other bills that passed both branches of Oklahoma's Legislature but have not been enacted into law are House Bill 1002 and Senate Bill 3a. OK H 1002 creates the Tobacco Settlement Endowment Trust Fund, which will consist of revenue received by the state from the tobacco settlement. The Trust Fund will be managed by a Board of Trustees. One-third of the fund will be transferred to the Oklahoma Teacher's Retirement Fund. The remaining money will be transferred to the Tobacco Settlement Special Cash Fund to be used for maternal and child preventive health services, maternal and child substance abuse prevention and treatment, reducing youth access to tobacco, prevention and reduction of tobacco use, and youth substance abuse prevention, intervention, and treatment and aftercare. OK S 3a creates a special fund in the state treasury to be known and designated as the Tobacco Settlement Fund.

In addition, SCR 2 was adopted by the Legislature to urge Congress not to recoup any state tobacco settlement money.

Other bills that were introduced would have allocated tobacco settlement money for the Teacher's Retirement System of Oklahoma, the Oklahoma Turnpike Authority, created a Tobacco Settlement Endowment Fund, and established a Tobacco Settlement Special Cash Fund to direct money for diabetes treatment and education, prostate and breast cancer treatment, and any needed health services for persons 18 years of age or younger.

Oregon

Governor John Kitzhaber (D) proposed spending the first $70 million of tobacco settlement funds on schools.

State Treasurer John Hill wants to sell the state's right to the tobacco settlement funds to investment firms in return for a lump sum payment.

Attorney General Hardy Myers, citing rising consumer complaints about business practices, said he will seek a portion of the national tobacco settlement to help his consumer protection unit. He will ask Gov. John Kitzhaber (D) and the Legislature to set aside $4.4 million of the money so he can hire an additional 13 staffers for the consumer protection agency.

Senate President Brady Adams and House Speaker Lynn Snodgrass want to use interest from the tobacco settlement funds to be used for health programs.

To date, the only tobacco settlement bill that has been enacted is Senate Bill 792, which simply enacts the Model Statute. There has been lots of tension in the Legislature in the debate over spending the tobacco settlement money, and, as a result, no other bills have passed both branches of the Legislature. One bill that has passed out of the House is OR H 2007, which establishes the Health Security Fund in the state treasury which will be comprised of revenues the state receives from the national tobacco settlement. All earnings on money in the Fund will be appropriated only for the purpose of financing health programs established or defined by law as programs eligible for such financing. The Legislative Assembly, upon approval by two-thirds of the members, may appropriate moneys from the Fund principal when the following economics conditions indicate the presence or likelihood of an economic recession: (1) the state gross product declines for two or more consecutive quarters; and (2) the quarterly economic and revenue forecast projects a decline in state revenues for two or more consecutive quarters.

OR HJM 9, adopted by the House, memorializes the U.S. Congress to prohibit federal recoupment of state tobacco settlement revenues.

Pennsylvania

Governor Tom Ridge (R) appointed Secretary of Administration Thomas Paese to lead a task force to make recommendations as to how the state should use its tobacco settlement money. The plan the task force comes up with should include the following principles: make the state's citizens healthier; direct funds to programs that can easily adjust to fluctuations in funding levels; set aside a portion for future generations; enhance existing programs rather than create new ones; and focus on programs that do notrequire expansion of governement bureaucracies.

Attorney General Mike Fisher proposed that the state use its $11.3 billion tobacco settlement to fund cancer research, subsidize health insurance for the poor, and pay for programs to stop children from smoking.

House Democrats want to use the state's tobacco settlement funds for health insurance for the uninsured, medical research on tobacco-related diseases, and anti-smoking education programs.

To date, the Legislature has only enacted one of the many introduced bills that deal with the tobacco settlement. House Resolution 188 memorializes the Governor to allocate a portion of Pennsylvania's share of the proceeds from the tobacco settlement to establish and fund a compact with the other states in participating in the tobacco settlement utilizing their settlement proceeds to fund cancer research grants, which will advance a scientific purpose and not be duplicated among the participating states. The process for allocating research grants will be equitable in apportioning the funds to ensure that no state's share exceeds that state's contribution. Examples of the other introduced bills include proposals to create the

Health Opportunities for Pennsylvanians Enhancement Fund to use 50 percent of the tobacco settlement to improve access to health care (H 49), set aside 25 percent of the tobacco settlement for cancer research (H 226), create the Tobacco Settlement Long-Term Care Fund to pay for community-based long-term care services (H 812), and dedicate tobacco settlement money to fund effective strategies to prevent illegal tobacco sales to young people (S 396).

Rhode Island

Governor Lincoln Almond (R) proposed using the $63 million first installment from the tobacco settlement to balance the state's budget and fund tax cuts. Lt. Governor Charles Fogarty (D), on the other hand, believes Rhode Island should use its tobacco settlement funds on health care programs, reducing lead poisoning and helping provide better health care.

The Legislature adjourned its session and enacted two laws that deal with the tobacco settlement. Senate Bill 476 states that the Department of Human Services will use a portion of the money the state receives from the tobacco settlement to establish a plan to be submitted to the General Assembly for approval by April 1, 2000, for enrollment fees, deductibles, copayments, and/or other contributions based on ability to pay, and in such manner to assure access to health care programs. Tobacco settlement money will also be used to ensure access to the health care programs for the state's citizens. RI H 6014 enacts the Model Statute.

In addition, while the legislative language is murky, the budget bill proposed spending $3.4 million of the tobacco settlement funds for community-based care for senior citizens and $1 million for tobacco control programs.

South Carolina

In 1998, South Carolina enacted House Bill 4700 to require any funds received by the state from the tobacco settlement to be deposited into the state's General Fund to be appropriated by the General Assembly. Governor Jim Hodges (D) favors using the money the state receives from the tobacco settlement for aid to tobacco farmers, education and children's health care.

In 1999, there have been no public pronouncements by state leaders on how the state should use the tobacco settlement money. However, seven bills have been introduced in the Legislature that deal with the tobacco settlement. Two bills, House Bill 3789 and Senate Bill 739, were enacted into law. SC H 3789 enacts the Model Statute while SC S 739 creates the South Carolina Tobacco Community Development Board to assist in providing economic aid to tobacco growers and tobacco quota holders within the state.

The other bills that have not passed either chamber of the legislature mainly revolve around using money to help the state's tobacco farmers recover from any economic loses incurred because of the national tobacco settlement.

South Dakota

Gov. William Janklow (R) wanted to use funds from the tobacco settlement to pay for medical care for prisoners, Medicaid enrollees, patients at the Yankton State Hospital and Redfield, and state employees.

The Legislature, however, did not pass any bills that appropriated funds from the tobacco settlement for any specific issues or programs. One bill (S 28) was enacted to implement the Model Statute, and two bills (HCR 1007 and SCR 3) were adopted by the Legislature to urge Congress to enact legislation to prohibit the federal government from recouping any state tobacco settlement money.

Tennessee

In Tennessee, Governor Don Sundquist (R) did not take a public position on how he would like the state to use its tobacco settlement money.

Out of 17 tobacco settlement bills introduced in the Legislature in the 1999 legislative session, two were enacted. House Bill 1310 creates the Tennessee Tobacco Farmers Certifying Board as a formal mechanism allowing Tennessee tobacco farmers to fully participate in the National Tobacco Farmers Trust being funded by certain cigarette manufacturers as an adjunct to the Master Settlement Agreement. Senate Bill 1544 simply enacts the Model Statute.

The other introduced bills included measures that would create the Tennessee Tobacco Trust Fund, appropriate $1 million per fiscal year from the tobacco settlement funds for grants to Tennessee hospitals for cancer research, create the Tennessee Tobacco Indemnification and Community Revitalization Trust Fund to aid tobacco farmers, and appropriate tobacco settlement money for community-based long-term care, school nurse programs, vaccination programs, alcohol and drug treatment programs, and programs for mental health.

Texas

Governor George W. Bush (R) did not urge the Legislature to use the state's tobacco settlement money in a particular fashion. The Legislature debated over whether to use the money for health care, smoking prevention, infrastructure construction and injury prevention centers. One bill that passed the House and Senate and was enacted was House Bill 1161 which states that the state comptroller will control the Tobacco Settlement Permanent Trust Account. The comptroller may appoint one or more commercial banks, depository trust companies, or other entities to serve as a custodian of the account's assets. Before December 1 of each year the comptroller will prepare a written report regarding the account during the fiscal year ending on the preceding August 31. The Tobacco Settlement Permanent Trust Account Investment Advisory Committee will advise the comptroller with respect to managing the assets of the Permanent Trust Account. Another bill that was enacted was TX HCR 9, which urged the U.S. Congress not to make federal claims against the proceeds of the Texas tobacco settlement.

TX H 1676 created several permanent funds with money from the tobacco settlement. The funds are as follows:

- A permanent fund for tobacco education and enforcement. Allows the interest received from investment of the fund to be appropriated to the department of health for programs to reduce the use of cigarettes and tobacco products in Texas, including: smoking cessation programs, enforcement of statutes related to distribution of tobacco products to minors; public awareness programs related to the use of cigarettes and tobacco products, and specific programs for communities traditionally targets by advertising and other means, by companies that sell cigarette or tobacco products. Requires the comptroller to transfer $200 million from the general revenue fund for this fund.
- A permanent fund for children and public health. Allows the interest received from the investment of the fund to be appropriated to the department of health to establish a foundation for the purpose of developing and demonstrating cost-effective prevention and intervention strategies for improving health outcomes for children and the public and for providing grants to local communities to address public health priorities. Requires the comptroller to transfer $100 million from the general revenue fund for this fund.

- A permanent fund for emergency medical services and trauma care. Allows the interest received from the investment of the fund to be appropriated to the department of health for programs to provide emergency medical services and trauma care in Texas. Requires the comptroller to transfer $100 million from the general revenue fund for this fund.
- A permanent fund for rural health facility capital improvement. Allows the interest received from the investment of the fund to be appropriated to the Center for Rural Health Initiatives. Requires the comptroller to transfer $50 million from the general revenue fund for this fund. Defines a rural county as a county that has a population of 150,000 or less or a county that has a population of more than 150,000 and contains a geographic area that is not delineated as urbanized by the federal census bureau.
- A permanent fund for community hospital capital improvement. Allows the interest received from the investment of the fund to be appropriated to the Texas Department of Health for grants, loans, or loan guarantees to public or nonprofit community hospitals with 125 beds or fewer located in an urban area of the state. Requires the comptroller to transfer $25 million from the general revenue fund for this fund.

Other bill that were introduced in the 1999 legislative session but were not enacted include:

- TX H 2562 -- Directs funds from the revenues the state receives from the tobacco settlement to support regional injury prevention centers.
- TX S 1695 -- Dedicates money the state will receive from the tobacco settlement for the Texas Public Finance Authority to use to issue bonds to finance approved infrastructure programs relating to construction and improvement of the state's public schools, infrastructure for medical research, and programs for highways, roads and bridges. For any calendar year, no more than 50% of the sum of unspent an unencumbered money received in previous years from the tobacco settlement can be scheduled for the payment of principal and interest during the year on all outstanding issued bonds.

Utah

In early 1999, Attorney General Jan Graham asked the Legislature not to spend Utah's tobacco settlement money in the next fiscal year. Until the U.S. Congress passes a law allowing individual states to keep their tobacco settlements, the money should be placed in investment accounts. When the Legislature does begin to appropriate money from the tobacco settlement, however, she advised the Legislature to spend a majority of the money on smoking prevention and cessation programs.

The 1999 legislative session ended in early March. While Governor Mike Leavitt (R) didn't campaign for a specific plan to spend the tobacco settlement money, he did sign several bills into law and vetoed one that dealt with the tobacco settlement. House Bill 375, which calculated rates and clarified tobacco coordination provisions called for in the settlement agreement, and House Bill 173, which created the Tobacco Settlement Account to act as a repository for the tobacco settlement funds, were both enacted into law. House Bill 284, which would have repealed the hospital provider assessment with funds from the tobacco settlement, was vetoed. Because the bills that were enacted do not appropriate any of the tobacco settlement money, Governor Leavitt may call a special session for the Legislature to decide how to spend the tobacco settlement funds.

Vermont

Governor Howard Dean (D) proposed spending most of the first year's payments, with about $1 million devoted to smoking cessation programs.

Attorney General William Sorrell suggested creating a $10 million-a-year trust fund to pay future health-related expenses. He also urged lawmakers to earmark the bulk of the tobacco settlement money to help citizens of Vermont quit smoking by setting up a trust fund that could be used to pay for anti-smoking programs.

The Legislature adjourned in early June and two bills were enacted that deal with the tobacco settlement. The first bill, House Bill 130, is an appropriations bill that establishes the Tobacco Litigation Settlement Fund in the state treasury to support tobacco use mitigation, tobacco use prevention and other health care purposes. All revenues that the state receives from the tobacco settlement will be deposited into the Tobacco Litigation Settlement Fund. The second bill, House Bill 554, also an appropriations bill, allocates funds from the state's tobacco settlement revenues for medical and dental services for the uninsured, help develop an early education program about the dangers of tobacco, and to develop an awareness and education campaign targeted at young women to inform them about risks to the fetus associated with maternal smoking and exposure to second hand smoke during pregnancy, and to educate them about smoking behavior and the increased incidence of Sudden Infant Death Syndrome (SIDS). The bill also creates a task force to develop a comprehensive statewide approach to tobacco prevention, cessation and control. $70,000 is appropriated in fiscal year 2000 from the Vermont Tobacco Litigation Settlement Fund to the Legislature to provide staff, consultant and technical resources to the task force. Also establishes a Tobacco Litigation Settlement Fund in the state treasury to receive the state's tobacco settlement revenues. Of the balance in the Fund, $19.2 million is reserved for the sole purpose of long-term sustainable tobacco education, prevention, cessation and control programs and the trust fund proposal developed by the task force.

Virginia

In his State of the Commonwealth speech, Governor Jim Gilmore (R) proposed placing revenue received from the national tobacco settlement into three funds. The first fund would receive half of the tobacco settlement money to be used for economic and agricultural development purposes to assist tobacco growers and workers economically hurt by the settlement. The second fund would be dedicated a health fund for children, community based treatment for mental illness, long-term care and youth anti-smoking programs. The third and final fund would be used to address transportation and education infrastructure needs. However, the Governor did not have any legislation introduced to enact his plan. This past August, however, Governor Gilmore proposed spending settlement funds on transportation projects.

Virginia's Legislature adjourned its 1999 legislative session in late February. Throughout the session they debated how to use the state's tobacco settlement revenues. The debate mainly centered around how to split the tobacco settlement funds between aid for the state's tobacco farmers and smoking cessation. One bill that did pass the Legislature and was signed by Governor Gilmore was House Bill 2635, which creates the Tobacco Indemnification and Community Revitalization Commission and the Tobacco Indemnification and Community Revitalization Fund. The Commission is established for the purposes of administering and distributing the moneys in the Revitalization Fund, including using moneys in the Fund to (i) indemnify tobacco growers from the adverse economic effects of the tobacco settlement and (ii) revitalize tobacco dependent communities. The Commission will distribute one-sixth of the money deposited in the Fund into the Virginia Tobacco Settlement Fund, also created in this act. The Commission will distribute the remaining

money in the Fund to indemnify tobacco farmers for the decline or elimination of tobacco quota based on averaging the basic burley and flue-cured quota as allocated by the USDA, and subject to the affirmative vote of two-thirds of the membership of the Commission, to promote economic growth and development in tobacco dependent communities. This law also establishes the Virginia Tobacco Settlement Foundation to administer the Virginia Tobacco Settlement Fund. The Settlement Fund will consist of money deposited into the fund by the General Assembly and will be used for the purposes of restricting the use of tobacco products by minors.

VA S 1165 creates the Tobacco Indemnification and Community Revitalization Commission as a body corporate and a political subdivision of the Commonwealth. The Commission is established for the purposes of administering and distributing the moneys in the Tobacco Indemnification and Community Revitalization Fund, including using moneys in the Fund to (i) indemnify tobacco growers from the adverse economic effects of the national tobacco settlement and (ii) revitalize tobacco dependent communities.

The Commission will establish the Tobacco Indemnification and Community Revitalization Fund. The Commission will deposit sixty percent of the moneys earmarked for use in the Commonwealth under Phase I of the Master Settlement Agreement into the Revitalization Fund. Money in the Fund will also consist of other moneys received by the Commission, from any source.

The Commission will distribute one-sixth of the moneys deposited in the Revitalization Fund, concurrently with the deposit of moneys into the Fund under the Master Settlement Agreement, to the Virginia Tobacco Settlement Fund.

The Commission will distribute the remaining available moneys in the Revitalization Fund as follows:

- To indemnify tobacco farmers in the Commonwealth for the decline or elimination of tobacco quota based on averaging the basic burley and flue-cured quota as allocated by the USDA for the crop years 1995 through 1998. The Commission shall compensate such tobacco farmers in an amount equal to the total lost asset value in quota incurred annually by such tobacco farmers. The Commission shall also compensate an active tobacco producer for the economic loss resulting from any annual quota reduction. The total asset loss value in quota and economic losses for active tobacco producers in Virginia is estimated to be $1.2 billion. The Commission shall make such payments from settlement dollars received into the Fund, after taking into account on a dollar-for-dollar basis funds received for such purpose by the farmer from Phase II of the Master Settlement Agreement; and
- Subject to the affirmative vote of two-thirds of the membership of the Commission, to promote economic growth and development in tobacco dependent communities, in order to assist such communities in reducing their dependency on tobacco and tobacco-related business.
- The Commission will also undertake studies and gather information and data in order to determine (i) the economic consequences of the reduction in or elimination of quota for tobacco growers, (ii) the potential for alternative cash crops, and (iii) any other matters the Commission believes will affect tobacco growers in the Commonwealth.

In addition to creating the Tobacco Indemnification and Community Revitalization Commission, this act also creates the Virginia Tobacco Settlement Foundation. The Foundation is established for the purpose of administering the moneys received and distributing such moneys, including using moneys in the Virginia Tobacco Settlement Fund,

to assist in financing efforts to restrict the use of tobacco products by minors through such means as educational and awareness programs on the health effects of tobacco use on minors and enforcement of laws restricting the distribution of tobacco products to minors.

The Foundation will create the Virginia Tobacco Settlement Fund. The Fund will consist of the moneys deposited to the Fund and of any moneys appropriated by the General Assembly to the Foundation, grants and donations received by the Foundation, and other moneys received by the Foundation and designated for deposit in the Fund. Moneys in the Fund will be used for the purposes of restricting the use of tobacco products by minors, including but not limited to educational and awareness programs on the health effects of tobacco use on minors and enforcement of laws restricting the distribution of tobacco products to minors.

The Foundation will (i) establish criteria for determining whether an entity's policies support the restriction of tobacco use by minors and (ii) monitor the distribution of such moneys to ensure that the recipients of such funds are in compliance with the provisions of this section.

The Foundation will submit a report annually to the Governor and the General Assembly. The report will include information regarding programs supported by the Foundation and expenditures from the Fund.

In addition, H 2635 and S 1318 were also enacted in order to implement the Model Statute.

Washington

Governor Gary Locke (D) called on the 1999 Legislature to use most of the tobacco settlement money to protect Washington's Basic Health Plan for working families and to expand Medicaid coverage for children in low-income families. He also proposed using tobacco settlement funds to establish a $155 million endowment fund for tobacco prevention and cessation programs. Attorney General Christine Gregoire endorsed the governor's plan.

The state enacted Senate Bill 5485, which implements the Model Statute, and the Legislature adopted HJM 4003 to urge Congress to prohibit federal recoupment of the state's tobacco settlement money. Another bill that passed a chamber is the one that backs Governor Locke's plan, Senate Bill 5359. Passed by the Senate, S 5359 creates the Tobacco Settlement Account in the state treasury. Money in the Tobacco Settlement Account may only be transferred to the Health Services Account and to the Tobacco Prevention and Control Account, which is also created in this bill. The source of revenue for the Tobacco Prevention and Control Account is money transferred to the account from the Tobacco Settlement Account, investment earnings, and donations to the account. Money in the Tobacco Prevention and Control Account may be spent only for public health purposes relating to tobacco.

West Virginia

Governor Cecil Underwood (R) refrained from publicly advocating a particular plan for the state to follow for using its tobacco settlement money. Instead, he and the Legislature worked to enact four bills that deal with the tobacco settlement.

House Bill 3031 directs all revenues the state receives from the national tobacco settlement to be deposited in the Tobacco Settlement Fund. In FY 2000, the first $5 million will be transferred to the Public Employees Insurance Reserve Fund. Appropriations from the Tobacco Settlement Fund are limited to expenditures for the following purposes: reserve funds for continued support of the programs offered by the Public Employees Insurance Agency; funding for expansion of Medicaid as authorized by the Legislature or mandated by

the federal government; funding for public health programs, services and agencies; and, funding for any state owned or operated health facilities.

House Bill 372 enacts the Model Statute.

House Concurrent Resolution 22 was adopted to request Congress to enact legislation to prohibit federal recoupment of state tobacco settlement dollars.

Senate Bill 697 creates the State Tobacco Growers' Settlement Board. The purpose of the board is to get a settlement with the leading U.S. tobacco product manufacturers for the exclusive benefit of state tobacco growers, execute all necessary written agreements relative to the national tobacco community trust to ensure state tobacco growers' receipt of funds directly from the trust, consult with tobacco growers within the state in order to determine how funds allocated by the national tobacco community trust will be distributed among state tobacco growers, submit a plan to the national tobacco community trust identifying state tobacco growers and the distribution of trust funds to state tobacco growers, and certify instructions to the national tobacco community trust regarding distribution of funds from the trust directly to the state tobacco growers during the 12 year payment period, beginning in 1999.

Wisconsin

Governor Tommy Thompson (R) proposes using a substantial portion of the revenue the state will receive from the national tobacco settlement to help fund BadgerCare and Family Care. He also wants to use the tobacco settlement money to strengthen and expand smoking prevention programs and to help schools keep cigarettes out of children's hands. Governor Thompson's budget proposal calls for $1 million of the tobacco settlement funds to go to the Medical College of Wisconsin and Women's Health Initiative and $2 million to the Center for Tobacco Research and Intervention for research, cessation and intervention activities. An additional $1 million would go to the Department of Public Instruction to help schools develop smoking prevention programs.

Attorney General James Doyle wants to give some of the money the state will receive from the national tobacco settlement back to the taxpayers, but would like most of the money set aside for a special, independent trust fund that would pay for anti-smoking programs. Most Democrats and some Republicans in the Legislature agree with the Attorney General and think more money should be spent on smoking cessation and tobacco control than what was offered by Governor Thompson.

The Legislature is currently working on the state's budget bill, where the issue of how the state spends the tobacco settlement money will be resolved. At this date, the Legislature is at a stalemate and nothing has been agreed to regarding the use of the state's tobacco settlement dollars.

Wyoming

In the beginning of 1999, Governor Jim Geringer (R) recommended that the state legislature create a special account for depositing the funds the state expects to receive from the national tobacco settlement until priorities for expenditure are set. He further recommended that health care, particularly for children, and programs for wellness, for early intervention, and for disease prevention, be the target for funding.

The Legislature, concerned that the state might not receive all of the expected tobacco settlement payments because of the threat of federal recoupment, agreed with Governor Geringer and decided to put the tobacco settlement money into a trust fund. Before adjourning in early March, the Legislature passed and the Governor signed House Bill 123, which creates a Tobacco Settlement Trust Fund that will consist of revenue from the tobacco

settlement and any other funds appropriated or designated to the account by law or gift from whatever source. Funds deposited into the Tobacco Settlement Trust Fund are intended to be inviolate and constitute a permanent or perpetual fund which will be invested by the state treasurer. Any earnings from investment of the corpus of the Trust Fund will be credited by the state treasurer into a separate trust fund income account within the earmarked revenue fund. Revenues deposited into the trust fund income account will be expended only for purposes related to the improvement of the health of Wyoming's citizens, including efforts to prevent tobacco use through school and community based programs, and only upon appropriation by the legislature.

About The Finance Project

The Finance Project is a non-profit policy research, technical assistance, and information organization whose mission is to support decision making that produces and sustains good results for children, families, and communities. Since its establishment in 1994, The Finance Project has become an unparalleled resource on issues and strategies surrounding welfare reform and the financing of education and other supports and services for children, families, and communities. Over the last five years, The Finance Project has:

- Developed a strong empirical knowledge base on how financing arrangements affect the quality and accessibility of education and other supports and services for children and families, and the capacity of communities to provide safe, nurturing environments for children and families;
- Outlined promising strategies and produced policy tools for pursuing improvements in financing through broad-based systemic reform, as well as through more incremental steps to address particular problems in current systems;
- Developed the capability to provide technical assistance on relevant financing and sustainability strategies to "reform ready" states and communities engaged in efforts to align their financing systems with their policy and program reform agendas; and
- Disseminated widely the knowledge, information, tools, and learnings its has developed or acquired through its work and supported and nurtured relevant networks of professionals, policy makers, and state and community leaders as they work to develop and implement welfare reform and a range of promising initiatives for children and families in communities across the country.

Activities of The Finance Project

The Finance Project's work is organized into five interrelated activity areas. The activities represent a continuum from those that are most diffuse and aimed at informing and providing information and tools to a wide range of researchers, policy makers and practitioners, to those directed at particular target audiences. The five activity areas also represent a cycle of information development and sharing that guides The Finance Project's selection of projects.

Knowledge Development. The Finance Project's knowledge development activities encompass primary research, synthesis of other research, analysis, and convening of experts in a number of formats, including working groups and structured conversations. These activities are aimed at:

- understanding the context for and new developments in policy and programs;
- developing frameworks for considering or evaluating policy and program reforms; and
- exploring the potential benefits and drawbacks of implementing various policy or program options as well as the opportunities and challenges to doing so.

Examples include past and ongoing work in mapping and tracking state and local expenditures and uses of federal funds, the systematic examination of key issues relating to welfare reform and welfare-to-work, and examining past and potential uses of block grants.

Policy and Tool Development. The Finance Project's policy and tool development activities involve translating knowledge into forms that are most helpful for policymakers and program officials to use in making decisions and taking action. It includes the development of policy options and of tools for analysis or implementation. Such tools may take the form of:

- guides to reform options and further resources,
- toolkits that lay out and assist users with planning and implementation steps, and
- the provision of generic planning documents or materials that can be applied or tailored to the circumstances of particular communities.

Examples of policy related products include the *Issue Notes* series developed by the Welfare Information Network, which examines key policy choices and describes relevant research and promising practices; the guide to policy options *Money Matters: A Guide to Financing Quality Education and Other Children's Services;* and the legislative toolkit *Building Strong Communities: Crafting a Legislative Foundation.*

Brokering Information. The Finance Project also works to provide access to the information needed to help states and communities make sound policy and implementation decisions. These activities include:

- the collection of policy analysis, research, tools, technical assistance resources, and promising practices from a wide range of individuals and organizations;
- the organization and presentation of those resources in a manner that makes them easily accessed and understood; and
- the dissemination of those resources through publications, inquiry systems, or the Internet.

Materials produced by The Finance Project are an important component of the information collected and disseminated, but the strength of this function is in its ability to collect and organize materials that cut across traditional program or organizational lines. The clearinghouse functions of the Welfare Information Network are prime examples of brokering information. They include the maintenance of a computer based clearinghouse of technical assistance resources, a database of promising practices, and an electronic cooperative inquiry system for state officials.

Technical Assistance. In many cases, producing new knowledge, developing policy and implementation tools, and providing access to needed information is still not enough to ensure that decision makers can effectively use available information. State and community leaders may need more direct technical assistance to apply the relevant information in the context of their particular state or community. The Finance Project has been approached frequently by foundations and state and community leaders seeking technical assistance in developing, implementing, or sustaining policy and program reforms in particular states and communities or for a network of grantees. Current major technical assistance contracts include:

- a grant from the DeWitt Wallace-Reader's Digest Fund to provide technical assistance on financing and sustainability for two of the foundation's out-of-school time initiatives; and
- the Child Care Partnership Project, a technical assistance effort funded by the U.S. Child Care Bureau to develop information and tools that will assist state child care administrators and others to develop public-private partnerships for child care.

Program Management. Program management involves helping to ensure the success of innovative policies or programs by managing an entire initiative or group of initiatives for a foundation funder or group of funders. In this intermediary role between initiative funders and grantees, The Finance Project engages in functions such as monitoring grantees on behalf of the funder(s), coordinating activities between the funder(s) and the grantees, and convening forums such as network retreats and advisory panels for an initiative. Examples of program management activities include the following:

- The Finance Project is currently the program manager for Carnegie Corporation's Starting Points initiative, which is focused on building systems of supports and services for young children and their families.
- The Welfare Information Network provides ongoing staff support for the Grantmakers in Income Security Task Force (GIST), an affinity group of foundation staff interested in grant making around income security issues related to low-income individuals and families.

For more information about The Finance Project and its activities, please contact:

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info@financeproject.org (E-mail)

WELFARE INFORMATION NETWORK

RESOURCES AVAILABLE FROM THE FINANCE PROJECT

The Finance Project has produced a broad array of publications and information resources to assist in the development and implementation of strategies to improve the financing and delivery of services for children and families (including low-income families). These resources are listed on the following pages within the categories of:

- Financing Supports and Services for Children and Families
- Achieving Better Results for Children, Families, and Communities
- Building Stronger Community Systems
- Resources from the Welfare Information Network
- Other Information Resources

The Finance Project resources take several forms, including Working Papers, Policy Guides, Strategy Briefs, Issue Notes, Resources for Welfare Decisions, and Frequently Asked Questions (FAQ). The price to obtain each resource is noted on the attached list. To order resources, please indicate the number of copies desired of each, complete the order form on the last page, and send the form with a check or money order to:

The Finance Project
1000 Vermont Avenue, NW – Suite 600
Washington, D.C. 20005

Document Title	*Number of Copies*	*Price Each*	*Total*
Financing Supports and Services for Children and Families			
Working Papers			
Using Tobacco Settlement Revenues for Children's Services: State Opportunities and Actions by Lee Dixon, Patrick Johnson, Nicole Kendell, Carol Cohen, and Richard May (October 1999)	_____	@ $7.50	_____
Financing Services for Young Children and Their Families: New Directions for Research, Development, and Demonstration (June 1998)	_____	@ $7.50	_____
Revenue Generation in the Wake of Welfare Reform: Summary of The Pilot Learning Cluster on Early Childhood Finance (August 1997)	_____	@ $7.50	_____
Financing Services for Young Children and Their Families: Meeting the Challenges of Welfare Reform by Cheryl D. Hayes (March 1997)	_____	@ $7.50	_____
Federal Tax Reform: A Family Perspective by Michael J. McIntyre and C. Eugene Steuerle [Report and Executive Summary] (July 1996)	_____	@ $10.00	_____
The Property Tax in the 21st Century by Hal Hovey (May 1996)	_____	@ $7.50	_____
The Effects of Economic and Demographic Changes on State and Local Budgets by Sally Wallace (December 1995)	_____	@ $7.50	_____
The Budget Enforcement Act: Implications for Children and Families by Karen Baehler (November 1995)	_____	@ $7.50	_____
Issues and Challenges in State and Local Finance by Therese J. McGuire (November 1995)	_____	@ $7.50	_____
Toward State Tax Reform: Lessons From State Tax Studies by Therese J. McGuire and Jessica E. Rio (November 1995)	_____	@ $7.50	_____
Legal Issues and Constraints Affecting Finance Reform for Education and Related Services by Thomas Triplett (November 1995)	_____	@ $7.50	_____
State Investments in Education and Other Children's Services: The Fiscal Challenges Ahead by Martin E. Orland and Carol E. Cohen (November 1995)	_____	@ $7.50	_____
State Investments in Education and Other Children's Services: Fiscal Profiles of the 50 States by Steven D. Gold, Deborah A. Ellwood, Elizabeth I. Davis, David S. Liebschutz, Sarah Ritchie, Martin E. Orland, and Carol E. Cohen (October 1995)	_____	@ $7.50	_____

State Investments in Education and Other Children's Services: Case Studies of Financing Innovations by Ira M. Cutler, Alexandra Tan, and Laura Downs (September 1995)	_____	@ $7.50	_____
Dollars and Sense: Diverse Perspectives on Block Grants and the Personal Responsibility Act (Joint publication of The Finance Project and the American Youth Policy Forum and The Policy Exchange of the Institute for Educational Leadership) (September 1995)	_____	@ $7.50	_____
Rethinking Block Grants: Toward Improved Intergovernmental Financing for Education and Other Children's Services by Cheryl D. Hayes, with assistance from Anna E. Danegger (April 1995)	_____	@ $7.50	_____
Securing Equal Educational Opportunities: Past Efforts and the Challenges Ahead by Alexandra Tan and Martin E. Orland (February 1995)	_____	@ $7.50	_____
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Reform Options for the Intergovernmental Funding System: Decategorization Policy Issues *by Sid Gardner (December 1994)*	_____	@ $7.50	_____
School Finance Litigation: A Review of Key Cases by Dore Van Slyke, Alexandra Tan and Martin E. Orland, with assistance from Anna E. Danegger (December 1994)	_____	@ $7.50	_____
Policy Guides			
Money Matters: A Guide to Financing Quality Education and Other Children's Services (January 1997)	_____	@ $20.00	_____
Strategy Briefs from the Out-of-School Time Project			
Using TANF to Finance Out-of-School Time and Community School Initiatives by Margaret Flynn (October 1999)	_____	@ $2.00	_____
Creating Local Revenue Sources for Out-of-School Time Initiatives by Barbara Hanson Langford (September 1999)	_____	@ $2.00	_____
Forthcoming Resources			
Financing Supports and Services for Young Children and Their Families: A Guide to Federal Funding Sources and Strategies by Hansine Fisher (Fall 1999)	_____		_____
Financing After-School Programs by Robert Halpern, Carol Cohen, and Sharon Deich (Fall 1999)	_____		_____
Investing in the Future: A Guide to Facilities Loan Funds for Community-based Child and Family Services by Carl Sussman (Fall 1999)	_____		_____
Financing Family Resource Centers: A Guide to Funding Sources and Strategies by Sara Watson and Miriam Westheimer (Fall 1999)	_____		_____

Making Space for Children: A Toolkit for Starting a Child Care Facilities Fund by Amy Kershaw (Winter 1999) _____ _____

Forthcoming Resources from the Out-of-School Time Project

Financing Out-of-School Time and Community Schools: A Guide to Federal Funding Sources and Strategies by Nancy Reder (Fall 1999) _____ _____

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Sustainability Planning Workbook and Self-Assessment Tool (December 1999) _____ _____

Strategy Brief on Accessing Tobacco Settlement Revenue (January 2000) _____ _____

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Strategy Brief on Creating Facilities Funds for Community School Programs (February 2000) _____ _____

Guide to Successful Out-of-School Time Partnerships (March 2000) _____ _____

Strategy Brief on Using Medicaid Funds (April 2000) _____ _____

Achieving Better Results for Children, Families, and Communities

Working Papers

A Strategy Map for Results-based Budgeting: Moving from Theory to Practice by Mark Friedman (September 1996) _____ @ $7.50 _____

Policy Guides

Juvenile Accountability Incentive Block Grants: Strategic Planning Guide by Anna E. Danegger, Carol E. Cohen, Cheryl D. Hayes, and Gwen A. Holden (January 1999) [Available from the Office of Juvenile Justice and Delinquency Programs (800) 638-8736] _____ no charge _____

A Guide to Developing Child and Family Budgets by Mark Friedman and Anna E. Danegger (July 1998) _____ @ $7.50 _____

A Guide to Developing and Using Performance Measures by Mark Friedman (May 1997) _____ @ $7.50 _____

A Guide to Results and Indicators by Atelia Melaville (May 1997) _____ @ $7.50 _____

Forthcoming Resources

Using Results to Improve the Lives of Children and Families: A Guide for Public-Private Child Care Partnerships (Fall 1999) _____ _____

Building Stronger Community Systems

Working Papers

Developing Cost Accounting and Decision Support Software for Comprehensive Community-Based Support Systems: Integrated Feasibility Analysis by Robert Harrington and Peter Jenkins with Carolyn Marzke and Carol Cohen (February 1999) _____ @ $7.50 _____

Privatization, Contracting, and Reform of Child and Family Social Services by Sheila B. Kamerman and Alfred J. Kahn (July 1998) _____ @ $7.50 _____

Developing Cost Accounting and Decision Support Software for Comprehensive Community-Based Support Systems: An Analysis of Needs, Interest, and Readiness in the Field by Robert Harrington and Peter Jenkins with Carolyn Marzke and Carol Cohen (June 1998) _____ @ $7.50 _____

Tax Strategies for Community Economic Development by Paul Pryde, Jr. (June 1998) _____ @ $7.50 _____

Financing Strategies to Support Comprehensive, Community-based Services for Children and Families by Mary M. O'Brien, National Child Welfare Resource Center for Organizational Improvement (March 1997) _____ @ $7.50 _____

Building Comprehensive, Community-based Support Systems for Children & Families: A Review of Legislative Examples by Thomas Woods (December 1996) _____ @ $7.50 _____

Beyond Decategorization: Defining Barriers and Potential Solutions to Creating Effective Comprehensive, Community-based Support Systems for Children and Families by Martin E. Orland and Ellen Foley (April 1996) _____ @ $7.50 _____

Creating More Comprehensive, Community-based Support Systems: The Critical Role of Finance by Martin E. Orland, Anna E. Danegger and Ellen Foley (November 1995) _____ @ $7.50 _____

Conceptualizing the Costs of Comprehensive, Community-based Support Systems for Children by Jennifer King Rice (November 1995) _____ @ $7.50 _____

Compendium of Comprehensive, Community-based Initiatives: A Look at Costs, Benefits, and Financing Strategies by Cheryl D. Hayes, Elise Lipoff, and Anna E. Danegger (July 1995) _____ @ $7.50 _____

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Contracting for Performance in Welfare Reform by J. Yates (August 1997)	_____	no charge	_____

FAQ

Frequently Asked Questions from State and Local Agencies About Involving the Faith Community in Welfare Reform by J. Yates (August 1997)	_____	no charge	_____

Other Information Resources

Websites

The Finance Project:	www.financeproject.org
Welfare Information Network:	www.welfareinfo.org
Child Care Partnership Project:	http://nccic.org/ccpartnerships
Out-of-School Time Project:	www.financeproject.org/osthome.htm
California Welfare Information Clearinghouse:	www.c-wic.org
Illinois Welfare Information Network:	www.iwin.org

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